

1-1 By: Chisum, et al. (Senate Sponsor - Shapiro, Ogden) H.B. No. 1  
1-2 (In the Senate - Received from the House April 25, 2006;  
1-3 April 25, 2006, read first time and referred to Committee on  
1-4 Finance; May 7, 2006, reported adversely, with favorable Committee  
1-5 Substitute by the following vote: Yeas 9, Nays 2, 3 present not  
1-6 voting; May 7, 2006, sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR H.B. No. 1 By: Ogden

1-8 A BILL TO BE ENTITLED  
1-9 AN ACT

1-10 relating to public school finance, property tax relief, public  
1-11 school accountability and programs, and related matters; making an  
1-12 appropriation.

1-13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-14 ARTICLE 1. PUBLIC SCHOOL FINANCE AND PROPERTY TAX RELIEF

1-15 SECTION 1.01. Section 41.002(a), Education Code, is amended  
1-16 to read as follows:

1-17 (a) A school district may not have a wealth per student that  
1-18 exceeds:

1-19 (1) the wealth per student that generates the amount  
1-20 of maintenance and operations tax revenue available to a district  
1-21 at the 88th percentile in wealth per student, for the district's  
1-22 maintenance and operations tax effort equal to or less than the rate  
1-23 equal to the sum of the product of the state compression percentage,  
1-24 as determined under Section 42.2516, multiplied by \$1.50;

1-25 (2) the wealth per student that generates the amount  
1-26 of maintenance and operations tax revenue available to a school  
1-27 district at the percentile of wealth per student corresponding to  
1-28 the amount of revenue per student per cent of tax effort under  
1-29 Section 42.302(a-1)(2) for which state funds are appropriated for  
1-30 that school year, for the district's maintenance and operations tax  
1-31 effort equal to or less than the rate equal to the sum of the product  
1-32 of the state compression percentage, as determined under Section  
1-33 42.2516, multiplied by \$1.50, and \$0.04, subject to Section  
1-34 41.093(b-1); or

1-35 (3) \$305,000, for the district's maintenance and  
1-36 operations tax effort that exceeds the first four cents by which the  
1-37 district's maintenance and operations tax rate exceeds the rate  
1-38 equal to the product of the state compression percentage, as  
1-39 determined under Section 42.2516, multiplied by \$1.50.

1-40 SECTION 1.02. Section 41.093, Education Code, is amended by  
1-41 amending Subsection (a) and adding Subsection (b-1) to read as  
1-42 follows:

1-43 (a) Subject to Subsection (b-1), the [The] cost of each  
1-44 credit is an amount equal to the greater of:

1-45 (1) the amount of the district's maintenance and  
1-46 operations tax revenue per student in weighted average daily  
1-47 attendance for the school year for which the contract is executed;  
1-48 or

1-49 (2) the amount of the statewide district average of  
1-50 maintenance and operations tax revenue per student in weighted  
1-51 average daily attendance for the school year preceding the school  
1-52 year for which the contract is executed.

1-53 (b-1) If the guaranteed level of state and local funds per  
1-54 weighted student per cent of tax effort under Section  
1-55 42.302(a-1)(2) is an amount at least equal to the amount of revenue  
1-56 per student per cent of tax effort available to a district at the  
1-57 96th percentile in wealth per student, the commissioner, in  
1-58 computing the amounts described by Subsections (a)(1) and (2) and  
1-59 determining the cost of an attendance credit, shall exclude  
1-60 maintenance and operations tax revenue resulting from the first  
1-61 four cents by which a district's maintenance and operations tax  
1-62 rate exceeds the rate equal to the product of the state compression  
1-63 percentage, as determined under Section 42.2516, multiplied by

2-1 \$1.50.

2-2 SECTION 1.03. Section 42.101, Education Code, is amended to  
2-3 read as follows:

2-4 Sec. 42.101. BASIC ALLOTMENT. For each student in average  
2-5 daily attendance, not including the time students spend each day in  
2-6 special education programs in an instructional arrangement other  
2-7 than mainstream or career and technology education programs, for  
2-8 which an additional allotment is made under Subchapter C, a  
2-9 district is entitled to an allotment in an amount equal to the  
2-10 product of the amount per student per cent of tax effort available  
2-11 to a district at the percentile in wealth per student specified by  
2-12 Section 42.302(a-1)(1), multiplied by 86 [~~of \$2,537~~]. A greater  
2-13 amount for any school year may be provided by appropriation.

2-14 SECTION 1.04. Subchapter E, Chapter 42, Education Code, is  
2-15 amended by adding Section 42.2516 to read as follows:

2-16 Sec. 42.2516. ADDITIONAL STATE AID FOR TAX REDUCTION. (a)  
2-17 In this section, "state compression percentage" means the  
2-18 percentage, as determined by the commissioner, of a school  
2-19 district's adopted maintenance and operations tax rate for the 2005  
2-20 tax year that serves as the basis for state funding for tax rate  
2-21 reduction under this section. The commissioner shall determine the  
2-22 state compression percentage for each school year based on the  
2-23 percentage by which a district is able to reduce the district's  
2-24 maintenance and operations tax rate for that year, as compared to  
2-25 the district's adopted maintenance and operations tax rate for the  
2-26 2005 tax year, as a result of state funds appropriated for  
2-27 distribution under this section for that year from the property tax  
2-28 relief fund established under Section 403.109, Government Code, or  
2-29 from another funding source available for school district property  
2-30 tax relief.

2-31 (a-1) Subsection (a) applies beginning with the state  
2-32 fiscal year ending August 31, 2009. For the state fiscal year  
2-33 ending August 31, 2007, the state compression percentage is 88.67  
2-34 percent. For the state fiscal year ending August 31, 2008, the  
2-35 state compression percentage is 66.67 percent. This subsection  
2-36 expires September 1, 2009.

2-37 (b) Subject to Subsections (g) and (h), but notwithstanding  
2-38 any other provision of this title, a school district is entitled to  
2-39 state revenue necessary to provide the district with the sum of:

2-40 (1) the amount of state revenue necessary to maintain  
2-41 state and local revenue per student in weighted average daily  
2-42 attendance in the amount equal to the greater of:

2-43 (A) the amount of state and local revenue per  
2-44 student in weighted average daily attendance for the maintenance  
2-45 and operations of the district available to the district for the  
2-46 2005-2006 school year;

2-47 (B) the amount of state and local revenue per  
2-48 student in weighted average daily attendance for the maintenance  
2-49 and operations of the district to which the district would have been  
2-50 entitled for the 2006-2007 school year under this chapter, as it  
2-51 existed on January 1, 2006, or, if the district would have been  
2-52 subject to Chapter 41, as that chapter existed on January 1, 2006,  
2-53 the amount to which the district would have been entitled under that  
2-54 chapter, based on the funding elements in effect for the 2005-2006  
2-55 school year, if the district imposed a maintenance and operations  
2-56 tax at the rate adopted by the district for the 2005 tax year; or

2-57 (C) the amount of state and local revenue per  
2-58 student in weighted average daily attendance for the maintenance  
2-59 and operations of the district to which the district would have been  
2-60 entitled for the 2006-2007 school year under this chapter, as it  
2-61 existed on January 1, 2006, or, if the district would have been  
2-62 subject to Chapter 41, as that chapter existed on January 1, 2006,  
2-63 the amount to which the district would have been entitled under that  
2-64 chapter, based on the funding elements in effect for the 2005-2006  
2-65 school year, if the district imposed a maintenance and operations  
2-66 tax at the rate equal to the rate described by Section 26.08(i) or  
2-67 (k)(1), Tax Code, as applicable, for the 2006 tax year;

2-68 (2) an amount equal to the product of \$2,500  
2-69 multiplied by the number of classroom teachers, full-time

3-1 librarians, full-time counselors certified under Subchapter B,  
 3-2 Chapter 21, and full-time school nurses employed by the district  
 3-3 and entitled to a minimum salary under Section 21.402; and

3-4 (3) an amount equal to the product of \$207 multiplied  
 3-5 by the number of students in average daily attendance in grades nine  
 3-6 through 12 in the district.

3-7 (c) In determining the amount to which a district is  
 3-8 entitled under Subsection (b)(1), the commissioner shall include:

3-9 (1) any amounts described by Rider 69, page III-19,  
 3-10 Chapter 1369, Acts of the 79th Legislature, Regular Session, 2005  
 3-11 (the General Appropriations Act);

3-12 (2) for a school district that received additional  
 3-13 revenue for the 2005-2006 school year as a result of an agreement  
 3-14 under Subchapter E, Chapter 41, the amount of that additional  
 3-15 revenue, which is the amount by which the total maintenance and  
 3-16 operations revenue available to the district exceeded the total  
 3-17 maintenance and operations revenue that would have been available  
 3-18 to the district if the district had not entered into the agreement  
 3-19 and had imposed a maintenance and operations tax at the rate of  
 3-20 \$1.50 on the \$100 valuation of taxable property;

3-21 (3) any amount necessary to reflect an adjustment made  
 3-22 by the commissioner under Section 42.005;

3-23 (4) any amount necessary to reflect an adjustment made  
 3-24 by the commissioner under Section 42.2521; and

3-25 (5) any amount necessary to reflect an adjustment made  
 3-26 by the commissioner under Section 42.2531.

3-27 (d) In determining the amount to which a district is  
 3-28 entitled under Subsection (b)(1) for a school year, the  
 3-29 commissioner shall subtract an amount equal to the additional  
 3-30 revenue for the school year that the district received as a result  
 3-31 of an agreement under Subchapter E, Chapter 41, which is the amount  
 3-32 by which the total maintenance and operations revenue available to  
 3-33 the district exceeded the total maintenance and operations revenue  
 3-34 that would have been available to the district if the district had  
 3-35 not entered into the agreement and had imposed a maintenance and  
 3-36 operations tax at the maximum rate permitted under Section  
 3-37 45.003(d).

3-38 (e) The amount of revenue to which a school district is  
 3-39 entitled because of the technology allotment under Section 32.005  
 3-40 is not included in making a determination under Subsection (b)(1).

3-41 (f) For purposes of determining the amount of revenue to  
 3-42 which a school district is entitled under this section, the  
 3-43 commissioner shall use the average tax collection rate for the  
 3-44 district for the 2003, 2004, and 2005 tax years.

3-45 (g) If a school district adopts a maintenance and operations  
 3-46 tax rate that is below the rate equal to the product of the state  
 3-47 compression percentage multiplied by the maintenance and  
 3-48 operations tax rate adopted by the district for the 2005 tax year,  
 3-49 the commissioner shall reduce the district's entitlement under this  
 3-50 section in proportion to the amount by which the adopted rate is  
 3-51 less than the rate equal to the product of the state compression  
 3-52 percentage multiplied by the rate adopted by the district for the  
 3-53 2005 tax year.

3-54 (h) Notwithstanding any other provision of this title, if  
 3-55 the amount of state and local revenue per student in weighted  
 3-56 average daily attendance for the maintenance and operations of the  
 3-57 district available to the district in a school year as a result of  
 3-58 increases to the equalized wealth level under Section 41.002, the  
 3-59 basic allotment under Section 42.101, and the guaranteed level  
 3-60 under Section 42.302 made by H.B. No. 1, Acts of the 79th  
 3-61 Legislature, 3rd Called Session, 2006, exceeds the amount to which  
 3-62 a district is entitled under Subsection (b) for that school year,  
 3-63 the commissioner must:

3-64 (1) reduce the amount of state aid provided to the  
 3-65 district for that school year by an amount equal to the excess  
 3-66 revenue, as determined by the commissioner; or

3-67 (2) for a district with a wealth per student greater  
 3-68 than the applicable amount described by Section 41.002(a), require  
 3-69 the district to purchase a number of attendance credits for that

4-1 school year at a cost equal to the amount of excess revenue, as  
 4-2 determined by the commissioner.

4-3 (i) A school district that is required to take action under  
 4-4 Chapter 41 to reduce its wealth per student to the equalized wealth  
 4-5 level and that is entitled to state revenue under this section may  
 4-6 receive that revenue through an adjustment against the total amount  
 4-7 of attendance credits required to be purchased under Subchapter D,  
 4-8 Chapter 41, or the total number of nonresident students required to  
 4-9 be educated under Subchapter E, Chapter 41, as determined by the  
 4-10 commissioner.

4-11 (j) If a school district reduces its maintenance and  
 4-12 operations tax rate by an amount less than the rate equal to the  
 4-13 product of the difference between the state compression percentage  
 4-14 for the preceding year and the state compression percentage for the  
 4-15 year of the reduction, multiplied by the maintenance and operations  
 4-16 tax rate adopted by the district for the 2005 tax year, the  
 4-17 commissioner may not reduce the amount to which the district is  
 4-18 entitled under this section on the basis of the additional revenue  
 4-19 collected by the district.

4-20 (k) The commissioner may adopt rules necessary to  
 4-21 administer this section.

4-22 (l) A determination by the commissioner under this section  
 4-23 is final and may not be appealed.

4-24 SECTION 1.05. Sections 42.253(g) and (h), Education Code,  
 4-25 are amended to read as follows:

4-26 (g) If a school district demonstrates to the satisfaction of  
 4-27 the commissioner that the estimate of the district's tax rate,  
 4-28 student enrollment, or taxable value of property used in  
 4-29 determining the amount of state funds to which the district is  
 4-30 entitled are so inaccurate as to result in undue financial hardship  
 4-31 to the district, the commissioner may adjust funding to that  
 4-32 district in that school year to the extent that funds are available  
 4-33 for that year[, including funds in the reserve account. Funds in  
 4-34 the reserve account may not be used under this subsection until any  
 4-35 reserve funds have been used for purposes of Subsection (f)].

4-36 (h) If the amount appropriated for the Foundation School  
 4-37 Program for the second year of a state fiscal biennium is less than  
 4-38 the amount to which school districts are entitled for that year, the  
 4-39 commissioner shall certify the amount of the difference to the  
 4-40 Legislative Budget Board not later than January 1 of the second year  
 4-41 of the state fiscal biennium. The Legislative Budget Board shall  
 4-42 propose to the legislature that the certified amount be transferred  
 4-43 to the foundation school fund from the economic stabilization fund  
 4-44 and appropriated for the purpose of increases in allocations under  
 4-45 this subsection. If the legislature fails during the regular  
 4-46 session to enact the proposed transfer and appropriation [~~proposed~~  
 4-47 ~~under Subsection (f)] and there are not funds available under~~  
 4-48 Subsection (j), the commissioner shall reduce the total amount of  
 4-49 state funds allocated to each district by an amount determined by a  
 4-50 method under which the application of the same number of cents of  
 4-51 increase in tax rate in all districts applied to the taxable value  
 4-52 of property of each district, as determined under Subchapter M,  
 4-53 Chapter 403, Government Code, results in a total levy equal to the  
 4-54 total reduction. The following fiscal year, a district's  
 4-55 entitlement under this section is increased by an amount equal to  
 4-56 the reduction made under this subsection.

4-57 SECTION 1.06. Effective August 1, 2009, Sections 42.259(c),  
 4-58 (d), and (f), Education Code, are amended to read as follows:

4-59 (c) Payments from the foundation school fund to each  
 4-60 category 2 school district shall be made as follows:

4-61 (1) 22 percent of the yearly entitlement of the  
 4-62 district shall be paid in an installment to be made on or before the  
 4-63 25th day of September of a fiscal year;

4-64 (2) 18 percent of the yearly entitlement of the  
 4-65 district shall be paid in an installment to be made on or before the  
 4-66 25th day of October;

4-67 (3) 9.5 percent of the yearly entitlement of the  
 4-68 district shall be paid in an installment to be made on or before the  
 4-69 25th day of November;

(4) 7.5 percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25th day of April;

(5) five percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25th day of May;

(6) 10 percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25th day of June;

(7) 13 percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25th day of July; and

(8) 15 percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25th day of August [~~after the fifth day of September and not later than the 10th day of September of the calendar year following the calendar year of the payment made under Subdivision (1)~~].

(d) Payments from the foundation school fund to each category 3 school district shall be made as follows:

(1) 45 percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25th day of September of a fiscal year;

(2) 35 percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25th day of October; and

(3) 20 percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25th day of August [~~after the fifth day of September and not later than the 10th day of September of the calendar year following the calendar year of the payment made under Subdivision (1)~~].

(f) Any [~~Except as provided by Subsection (c)(8) or (d)(3), any~~] previously unpaid additional funds from prior years owed to a district shall be paid to the district together with the September payment of the current year entitlement.

SECTION 1.07. Subchapter E, Chapter 42, Education Code, is amended by adding Section 42.261 to read as follows:

Sec. 42.261. CERTAIN FUNDS APPROPRIATED FOR PURPOSE OF TAX REDUCTION. (a) Funds appropriated by the legislature for a tax year for the purpose of reducing a school district's maintenance and operations tax rate and providing state aid under Section 42.2516:

(1) are not excess funds for purposes of Section 42.2517;

(2) are not available for purposes of Section 42.2521 or 42.2522;

(3) may not be used for purposes of Chapter 46; and

(4) may not be provided by the commissioner to a school district for a purpose other than reduction of the district's maintenance and operations tax rate.

(b) The commissioner may adopt rules necessary to administer this section.

SECTION 1.08. Section 42.302, Education Code, is amended by amending Subsection (a) and adding Subsections (a-1) and (f) to read as follows:

(a) Each school district is guaranteed a specified amount per weighted student in state and local funds for each cent of tax effort over that required for the district's local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject only to the maximum amount under Section 42.303, is determined by the formula:

$$GYA = (GL \times WADA \times DTR \times 100) - LR$$

where:

"GYA" is the guaranteed yield amount of state funds to be allocated to the district;

"GL" is the dollar amount guaranteed level of state and local funds per weighted student per cent of tax effort, which is an amount described by Subsection (a-1) [\$27.14] or a greater amount for any year provided by appropriation;

"WADA" is the number of students in weighted average daily

6-1 attendance, which is calculated by dividing the sum of the school  
 6-2 district's allotments under Subchapters B and C, less any allotment  
 6-3 to the district for transportation, any allotment under Section  
 6-4 42.158, and 50 percent of the adjustment under Section 42.102, by  
 6-5 the basic allotment for the applicable year;

6-6 "DTR" is the district enrichment tax rate of the school  
 6-7 district, which is determined by subtracting the amounts specified  
 6-8 by Subsection (b) from the total amount of maintenance and  
 6-9 operations taxes collected by the school district for the  
 6-10 applicable school year and dividing the difference by the quotient  
 6-11 of the district's taxable value of property as determined under  
 6-12 Subchapter M, Chapter 403, Government Code, or, if applicable,  
 6-13 under Section 42.2521, divided by 100; and

6-14 "LR" is the local revenue, which is determined by multiplying  
 6-15 "DTR" by the quotient of the district's taxable value of property as  
 6-16 determined under Subchapter M, Chapter 403, Government Code, or, if  
 6-17 applicable, under Section 42.2521, divided by 100.

6-18 (a-1) In this subsection, "wealth per student" has the  
 6-19 meaning assigned by Section 41.001. For purposes of Subsection  
 6-20 (a), the dollar amount guaranteed level of state and local funds per  
 6-21 weighted student per cent of tax effort ("GL") for a school district  
 6-22 is:

6-23 (1) the amount of district tax revenue per student per  
 6-24 cent of tax effort available to a district at the 88th percentile in  
 6-25 wealth per student, as determined by the commissioner in  
 6-26 cooperation with the Legislative Budget Board, for the district's  
 6-27 maintenance and operations tax effort equal to or less than the rate  
 6-28 equal to the product of the state compression percentage, as  
 6-29 determined under Section 42.2516, multiplied by \$1.50;

6-30 (2) the amount of district tax revenue per student per  
 6-31 cent of tax effort available to a district at the 96th percentile in  
 6-32 wealth per student, as determined by the commissioner in  
 6-33 cooperation with the Legislative Budget Board, for the first four  
 6-34 cents by which the district's maintenance and operations tax rate  
 6-35 exceeds the rate equal to the product of the state compression  
 6-36 percentage, as determined under Section 42.2516, multiplied by  
 6-37 \$1.50; and

6-38 (3) \$27.14, for the district's maintenance and  
 6-39 operations tax effort that exceeds the amount of tax effort  
 6-40 described by Subdivision (2).

6-41 (f) If a school district imposes a maintenance and  
 6-42 operations tax at a rate greater than the rate equal to the product  
 6-43 of the state compression percentage, as determined under Section  
 6-44 42.2516, multiplied by the maintenance and operations tax rate  
 6-45 adopted by the district for the 2005 tax year, the district is  
 6-46 entitled to receive an allotment under this section on the basis of  
 6-47 that greater tax effort.

6-48 SECTION 1.09. Section 42.303, Education Code, is amended to  
 6-49 read as follows:

6-50 Sec. 42.303. LIMITATION ON ENRICHMENT TAX RATE. The  
 6-51 district enrichment tax rate ("DTR") under Section 42.302 may not  
 6-52 exceed the amount [~~\$0.64~~] per \$100 of valuation by which the maximum  
 6-53 rate permitted under Section 45.003 exceeds the rate of \$0.86, or a  
 6-54 greater amount for any year provided by appropriation.

6-55 SECTION 1.10. Section 30.003, Education Code, is amended by  
 6-56 adding Subsection (f-1) to read as follows:

6-57 (f-1) The commissioner shall determine the total amount  
 6-58 that the Texas School for the Blind and Visually Impaired and the  
 6-59 Texas School for the Deaf would have received from school districts  
 6-60 in accordance with this section if H.B. No. 1, Acts of the 79th  
 6-61 Legislature, 3rd Called Session, 2006, had not reduced the  
 6-62 districts' share of the cost of providing education services. That  
 6-63 amount, minus any amount the schools do receive from school  
 6-64 districts, shall be set aside as a separate account in the  
 6-65 foundation school fund and appropriated to those schools for  
 6-66 educational purposes.

6-67 SECTION 1.11. Section 44.004, Education Code, is amended by  
 6-68 adding Subsection (c-1) to read as follows:

6-69 (c-1) The notice described by Subsection (c) must state in a

7-1 distinct row or on a separate or individual line for each of the  
 7-2 following taxes:

7-3 (1) the proposed rate of the school district's  
 7-4 maintenance tax described by Section 45.003, under the heading  
 7-5 "Maintenance Tax"; and

7-6 (2) if the school district has issued ad valorem tax  
 7-7 bonds under Section 45.001, the proposed rate of the tax to pay for  
 7-8 the bonds, under the heading "School Debt Service Tax Approved by  
 7-9 Local Voters."

7-10 SECTION 1.12. Section 45.003, Education Code, is amended by  
 7-11 amending Subsection (d) and adding Subsections (e) and (f) to read  
 7-12 as follows:

7-13 (d) A proposition submitted to authorize the levy of  
 7-14 maintenance taxes must include the question of whether the  
 7-15 governing board or commissioners court may levy, assess, and  
 7-16 collect annual ad valorem taxes for the further maintenance of  
 7-17 public schools, at a rate not to exceed the rate [~~which may be not~~  
 7-18 ~~more than \$1.50 on the \$100 valuation of taxable property in the~~  
 7-19 ~~district,] stated in the proposition. For any year, the  
 7-20 maintenance tax rate per \$100 of taxable value adopted by the  
 7-21 district may not exceed the rate equal to the sum of \$0.17 and the  
 7-22 product of the state compression percentage, as determined under  
 7-23 Section 42.2516, multiplied by \$1.50.~~

7-24 (e) A rate that exceeds the maximum rate specified by  
 7-25 Subsection (d) for the year in which the tax is to be imposed is  
 7-26 void. A school district with a tax rate that is void under this  
 7-27 subsection may, subject to requirements imposed by other law, adopt  
 7-28 a rate for that year that does not exceed the maximum rate specified  
 7-29 by Subsection (d) for that year.

7-30 (f) Notwithstanding any other law, a district that levied a  
 7-31 maintenance tax for the 2005 tax year at a rate greater than \$1.50  
 7-32 per \$100 of taxable value in the district as permitted by special  
 7-33 law may not levy a maintenance tax at a rate that exceeds the rate  
 7-34 per \$100 of taxable value that is equal to the sum of \$0.17 and the  
 7-35 product of the state compression percentage, as determined under  
 7-36 Section 42.2516, multiplied by the rate of the maintenance tax  
 7-37 levied by the district for the 2005 tax year.

7-38 SECTION 1.13. Section 56.208(a), Education Code, is amended  
 7-39 to read as follows:

7-40 (a) The Early High School Graduation Scholarship program is  
 7-41 financed under the Foundation School Program. Funding for the  
 7-42 state tuition credits is not subject to the provisions of Sections  
 7-43 42.253(h) [~~42.253(e)~~] through (k).

7-44 SECTION 1.14. Section 26.08, Tax Code, is amended by  
 7-45 amending Subsections (i) and (k) and adding Subsections (i-1), (n),  
 7-46 (o), and (p) to read as follows:

7-47 (i) For purposes of this section, the effective maintenance  
 7-48 and operations [~~rollback~~] tax rate of a school district is [~~the sum~~  
 7-49 ~~of:~~

7-50 [~~(1)~~] the tax rate that, applied to the current total  
 7-51 value for the district, would impose taxes in an amount that, when  
 7-52 added to state funds that would be distributed to the district under  
 7-53 Chapter 42, Education Code, for the school year beginning in the  
 7-54 current tax year using that tax rate, including state funds that  
 7-55 will be distributed to the district in that school year under  
 7-56 Section 42.2516, Education Code, would provide the same amount of  
 7-57 state funds distributed under Chapter 42, Education Code, including  
 7-58 state funds distributed under Section 42.2516, Education Code, and  
 7-59 maintenance and operations taxes of the district per student in  
 7-60 weighted average daily attendance for that school year that would  
 7-61 have been available to the district in the preceding year if the  
 7-62 funding elements for Chapters 41 and 42, Education Code, for the  
 7-63 current year had been in effect for the preceding year [~~+~~

7-64 [~~(2) the rate of \$0.06 per \$100 of taxable value, and~~

7-65 [~~(3) the district's current debt rate~~].

7-66 (i-1) For purposes of Subsections (i) and (k), any change  
 7-67 from the preceding school year to the current school year in the  
 7-68 amount of state funds distributed to a school district under  
 7-69 Section 42.2516, Education Code, is not considered to be a change in

8-1 a funding element for Chapter 42, Education Code. The amount of  
 8-2 state funds distributed under Chapter 42, Education Code, and  
 8-3 maintenance and operations taxes of the district per student in  
 8-4 weighted average daily attendance for that school year that would  
 8-5 have been available to the district in the preceding year if the  
 8-6 funding elements for Chapters 41 and 42, Education Code, for the  
 8-7 current year had been in effect for the preceding year is computed  
 8-8 on the basis of the amount actually distributed to the district  
 8-9 under Section 42.2516, Education Code, in the preceding school  
 8-10 year.

8-11 (k) For purposes of this section, for the [~~2003, 2004,~~  
 8-12 ~~2005,~~] 2006, 2007, or 2008 tax year, for a school district that is  
 8-13 entitled to state funds under Sections 1581.1015(d), (e), and (f)  
 8-14 [~~Section 4(a-1), (a-2), (a-3), (a-4), (a-5), or (a-6), Article~~  
 8-15 ~~3.50-9~~], Insurance Code, the effective maintenance and operations  
 8-16 [~~rollback~~] tax rate of the district is the sum of:

8-17 (1) the tax rate that, applied to the current total  
 8-18 value for the district, would impose taxes in an amount that, when  
 8-19 added to state funds that would be distributed to the district under  
 8-20 Chapter 42, Education Code, for the school year beginning in the  
 8-21 current tax year using that tax rate, including state funds that  
 8-22 will be distributed to the district in that school year under  
 8-23 Section 42.2516, Education Code, would provide the same amount of  
 8-24 state funds distributed under Chapter 42, Education Code, including  
 8-25 state funds distributed under Section 42.2516, Education Code, and  
 8-26 maintenance and operations taxes of the district per student in  
 8-27 weighted average daily attendance for that school year that would  
 8-28 have been available to the district in the preceding year if the  
 8-29 funding elements for Chapters 41 and 42, Education Code, for the  
 8-30 current year had been in effect for the preceding year; and

8-31 (2) the tax rate that, applied to the current total  
 8-32 value for the district, would impose taxes in the amount that, when  
 8-33 added to state funds that would be distributed to the district under  
 8-34 Chapter 42, Education Code, for the school year beginning in the  
 8-35 current tax year using that tax rate, including state funds that  
 8-36 will be distributed to the district in that school year under  
 8-37 Section 42.2516, Education Code, permits the district to comply  
 8-38 with Section 1581.052 [~~3, Article 3.50-9~~], Insurance Code[~~+~~  
 8-39 [~~(3) the rate of \$0.06 per \$100 of taxable value; and~~  
 8-40 [~~(4) the district's current debt rate~~].

8-41 (n) For purposes of this section, the rollback tax rate of a  
 8-42 school district whose maintenance and operations tax rate for the  
 8-43 2005 tax year was \$1.50 or less per \$100 of taxable value is:

8-44 (1) for the 2006 tax year, the sum of the rate that is  
 8-45 equal to 88.67 percent of the maintenance and operations tax rate  
 8-46 adopted by the district for the 2005 tax year, the rate of \$0.04 per  
 8-47 \$100 of taxable value, and the district's current debt rate; and

8-48 (2) for the 2007 and subsequent tax years, the lesser  
 8-49 of the following:

8-50 (A) the sum of the following:

8-51 (i) the rate per \$100 of taxable value that  
 8-52 is equal to the product of the state compression percentage, as  
 8-53 determined under Section 42.2516, Education Code, for the current  
 8-54 year and \$1.50;

8-55 (ii) the rate of \$0.04 per \$100 of taxable  
 8-56 value;

8-57 (iii) the rate that is equal to the greatest  
 8-58 difference for the 2006 or any subsequent tax year between the  
 8-59 adopted tax rate of the district for that year as approved in an  
 8-60 election under this section and the rollback tax rate of the  
 8-61 district for that year; and

8-62 (iv) the district's current debt rate; or

8-63 (B) the sum of the effective maintenance and  
 8-64 operations tax rate of the district as computed under Subsection  
 8-65 (i) or (k), as applicable, the rate of \$0.05 per \$100 of taxable  
 8-66 value, and the district's current debt rate.

8-67 (o) For purposes of this section, the rollback tax rate of a  
 8-68 school district whose maintenance and operations tax rate for the  
 8-69 2005 tax year was greater than \$1.50 per \$100 of taxable value is

9-1 computed in the manner provided by Subsection (n) except that the  
 9-2 maintenance and operations tax rate per \$100 of taxable value  
 9-3 adopted by the district for the 2005 tax year is substituted for  
 9-4 \$1.50 in a computation under that subsection.

9-5 (p) Notwithstanding Subsection (b) of this section, Section  
 9-6 41.001, Election Code, or any other law, an election held under this  
 9-7 section to approve the adopted tax rate for a tax year must be  
 9-8 ordered not later than August 31 of that tax year and must be held  
 9-9 not later than September 30. If the election is not held by that  
 9-10 date, the governing body of the school district may not adopt a tax  
 9-11 rate for that tax year that exceeds the school district's rollback  
 9-12 tax rate. The secretary of state shall prescribe the procedures  
 9-13 necessary to implement this subsection and to ensure the proper and  
 9-14 orderly conduct of the elections. The secretary of state shall  
 9-15 adopt rules under this subsection in the manner provided by law for  
 9-16 emergency rules. Any action taken by a person before the date this  
 9-17 subsection takes effect in preparation for the implementation of  
 9-18 the changes in law made by this subsection that the person  
 9-19 determines is necessary or appropriate and that the person would  
 9-20 have been authorized to take had this subsection been in effect at  
 9-21 the time of the action is validated as of the effective date of this  
 9-22 subsection.

9-23 SECTION 1.15. (a) Section 31.01(c), Tax Code, as amended by  
 9-24 Chapters 1255 and 1368, Acts of the 79th Legislature, Regular  
 9-25 Session, 2005, is reenacted and amended to read as follows:

9-26 (c) The tax bill or a separate statement accompanying the  
 9-27 tax bill shall:

- 9-28 (1) identify the property subject to the tax;
- 9-29 (2) state the appraised value, assessed value, and  
 9-30 taxable value of the property;
- 9-31 (3) if the property is land appraised as provided by  
 9-32 Subchapter C, D, E, or H, Chapter 23, state the market value and the  
 9-33 taxable value for purposes of deferred or additional taxation as  
 9-34 provided by Section 23.46, 23.55, 23.76, or 23.9807, as applicable;
- 9-35 (4) state the assessment ratio for the unit;
- 9-36 (5) state the type and amount of any partial exemption  
 9-37 applicable to the property, indicating whether it applies to  
 9-38 appraised or assessed value;
- 9-39 (6) state the total tax rate for the unit;
- 9-40 (7) state the amount of tax due, the due date, and the  
 9-41 delinquency date;
- 9-42 (8) explain the payment option and discounts provided  
 9-43 by Sections 31.03 and 31.05, if available to the unit's taxpayers,  
 9-44 and state the date on which each of the discount periods provided by  
 9-45 Section 31.05 concludes, if the discounts are available;
- 9-46 (9) state the rates of penalty and interest imposed  
 9-47 for delinquent payment of the tax;
- 9-48 (10) include the name and telephone number of the  
 9-49 assessor for the unit and, if different, of the collector for the  
 9-50 unit;
- 9-51 (11) for real property, state for the current tax year  
 9-52 and each of the preceding five tax years:
  - 9-53 (A) the appraised value and taxable value of the  
 9-54 property;
  - 9-55 (B) the total tax rate for the unit;
  - 9-56 (C) the amount of taxes imposed on the property  
 9-57 by the unit; and
  - 9-58 (D) the difference, expressed as a percent  
 9-59 increase or decrease, as applicable, in the amount of taxes imposed  
 9-60 on the property by the unit compared to the amount imposed for the  
 9-61 preceding tax year;
- 9-62 ~~[(11) for real property, state the differences,  
 9-63 expressed as a percent increase or decrease, as applicable, in the  
 9-64 following for the current tax year as compared to the fifth tax year  
 9-65 before that tax year:~~
  - 9-66 ~~[(A) the appraised value of the property, and~~
  - 9-67 ~~[(B) the amount of taxes imposed on the property~~  
 9-68 ~~by the unit,]~~ and
- 9-69 (12) for real property, state the differences,

expressed as a percent increase or decrease, as applicable, in the following for the current tax year as compared to the fifth tax year before that tax year:

(A) the appraised value and taxable value of the property;

(B) the total tax rate for the unit; and

(C) the amount of taxes imposed on the property by the unit [~~and~~

~~[(13) include any other information required by the comptroller].~~

(b) Section 31.01, Tax Code, is amended by adding Subsection (d-1) to read as follows:

(d-1) This subsection applies only to a school district. In addition to stating the total tax rate for the school district, the tax bill or the separate statement shall separately state:

(1) the maintenance and operations rate of the school district;

(2) if the school district has outstanding debt, as defined by Section 26.012, the debt rate of the district;

(3) the maintenance and operations rate of the school district for the preceding tax year;

(4) if for the current tax year the school district imposed taxes for debt, as defined by Section 26.012, the debt rate of the district for the current tax year;

(5) if for the preceding tax year the school district imposed taxes for debt, as defined by Section 26.012, the debt rate of the district for that year; and

(6) the total tax rate of the district for the preceding tax year.

(c) Section 31.01(c-1), Tax Code, as added by Chapter 1255, Acts of the 79th Legislature, Regular Session, 2005, is repealed.

(d) The change in law made by this section applies only to an ad valorem tax bill that is mailed on or after the effective date of this Act.

(e) If this Act is passed by the legislature without receiving a vote of two-thirds of all the members elected to each house and is approved by the governor, any action taken before the effective date of this Act in preparation for the implementation of the amendment made by this Act to Section 31.01, Tax Code, by an officer or employee of a taxing unit that the officer or employee determines is necessary or appropriate and that the officer or employee would have been authorized to take had this section been in effect at the time of the action is validated as of the effective date of this Act. A tax bill or separate statement accompanying the tax bill mailed before the effective date of this section that is in compliance with Section 31.01, Tax Code, as amended by this Act, is validated as of the effective date of this Act.

SECTION 1.16. Section 311.013, Tax Code, is amended by adding Subsection (n) to read as follows:

(n) This subsection applies only to a school district whose taxable value computed under Section 403.302(d), Government Code, is reduced in accordance with Subdivision (5) of that subsection. In addition to the amount otherwise required to be paid into the tax increment fund, the district shall pay into the fund an amount equal to the amount by which the amount of taxes the district would have been required to pay into the fund in the current year if the district levied taxes at the rate the district levied in 2005 exceeds the amount the district is otherwise required to pay into the fund in the year of the reduction, not to exceed the amount the school district realizes from the reduction in the school district's taxable value under Section 403.302(d)(5), Government Code.

SECTION 1.17. Section 403.302, Government Code, is amended by amending Subsections (d) and (i) and adding Subsections (c-1) and (d-1) to read as follows:

(c-1) This subsection applies only to a school district whose central administrative office is located in a county with a population of 9,000 or less and a total area of more than 6,000 square miles. If after conducting the annual study for a tax year

11-1 the comptroller determines that the local value for a school  
 11-2 district is not valid, the comptroller shall adjust the taxable  
 11-3 value determined under Subsections (a) and (b) as follows:

11-4 (1) for each category of property sampled and tested  
 11-5 by the comptroller in the school district, the comptroller shall  
 11-6 use the weighted mean appraisal ratio determined by the study,  
 11-7 unless the ratio is more than four percentage points lower than the  
 11-8 weighted mean appraisal ratio determined by the comptroller for  
 11-9 that category of property in the immediately preceding study, in  
 11-10 which case the comptroller shall use the weighted mean appraisal  
 11-11 ratio determined in the immediately preceding study minus four  
 11-12 percentage points;

11-13 (2) the comptroller shall use the category weighted  
 11-14 mean appraisal ratios as adjusted under Subdivision (1) to  
 11-15 establish a value estimate for each category of property sampled  
 11-16 and tested by the comptroller in the school district; and

11-17 (3) the value estimates established under Subdivision  
 11-18 (2), together with the local tax roll value for any categories not  
 11-19 sampled and tested by the comptroller, less total deductions  
 11-20 determined by the comptroller, determine the taxable value for the  
 11-21 school district.

11-22 (d) For the purposes of this section, "taxable value" means  
 11-23 the market value of all taxable property less:

11-24 (1) the total dollar amount of any residence homestead  
 11-25 exemptions lawfully granted under Section 11.13(b) or (c), Tax  
 11-26 Code, in the year that is the subject of the study for each school  
 11-27 district;

11-28 (2) one-half of the total dollar amount of any  
 11-29 residence homestead exemptions granted under Section 11.13(n), Tax  
 11-30 Code, in the year that is the subject of the study for each school  
 11-31 district;

11-32 (3) the total dollar amount of any exemptions granted  
 11-33 before May 31, 1993, within a reinvestment zone under agreements  
 11-34 authorized by Chapter 312, Tax Code;

11-35 (4) subject to Subsection (e), the total dollar amount  
 11-36 of any captured appraised value of property that:

11-37 (A) is within a reinvestment zone created on or  
 11-38 before May 31, 1999, or is proposed to be included within the  
 11-39 boundaries of a reinvestment zone as the boundaries of the zone and  
 11-40 the proposed portion of tax increment paid into the tax increment  
 11-41 fund by a school district are described in a written notification  
 11-42 provided by the municipality or the board of directors of the zone  
 11-43 to the governing bodies of the other taxing units in the manner  
 11-44 provided by Section 311.003(e), Tax Code, before May 31, 1999, and  
 11-45 within the boundaries of the zone as those boundaries existed on  
 11-46 September 1, 1999, including subsequent improvements to the  
 11-47 property regardless of when made;

11-48 (B) generates taxes paid into a tax increment  
 11-49 fund created under Chapter 311, Tax Code, under a reinvestment zone  
 11-50 financing plan approved under Section 311.011(d), Tax Code, on or  
 11-51 before September 1, 1999; and

11-52 (C) is eligible for tax increment financing under  
 11-53 Chapter 311, Tax Code;

11-54 (5) for a school district for which a deduction from  
 11-55 taxable value is made under Subdivision (4), an amount equal to the  
 11-56 taxable value required to generate revenue when taxed at the school  
 11-57 district's current tax rate in an amount that, when added to the  
 11-58 taxes of the district paid into a tax increment fund as described by  
 11-59 Subdivision (4)(B), is equal to the total amount of taxes the  
 11-60 district would have paid into the tax increment fund if the district  
 11-61 levied taxes at the rate the district levied in 2005;

11-62 (6) the total dollar amount of any exemptions granted  
 11-63 under Section 11.251, Tax Code;

11-64 (7) [~~6~~] the difference between the comptroller's  
 11-65 estimate of the market value and the productivity value of land that  
 11-66 qualifies for appraisal on the basis of its productive capacity,  
 11-67 except that the productivity value estimated by the comptroller may  
 11-68 not exceed the fair market value of the land;

11-69 (8) [~~7~~] the portion of the appraised value of

12-1 residence homesteads of individuals who receive a tax limitation  
 12-2 under Section 11.26, Tax Code, on which school district taxes are  
 12-3 not imposed in the year that is the subject of the study, calculated  
 12-4 as if the residence homesteads were appraised at the full value  
 12-5 required by law;

12-6 (9) [~~(8)~~] a portion of the market value of property  
 12-7 not otherwise fully taxable by the district at market value because  
 12-8 of:

12-9 (A) action required by statute or the  
 12-10 constitution of this state that, if the tax rate adopted by the  
 12-11 district is applied to it, produces an amount equal to the  
 12-12 difference between the tax that the district would have imposed on  
 12-13 the property if the property were fully taxable at market value and  
 12-14 the tax that the district is actually authorized to impose on the  
 12-15 property, if this subsection does not otherwise require that  
 12-16 portion to be deducted; or

12-17 (B) action taken by the district under Subchapter  
 12-18 B or C, Chapter 313, Tax Code;

12-19 (10) [~~(9)~~] the market value of all tangible personal  
 12-20 property, other than manufactured homes, owned by a family or  
 12-21 individual and not held or used for the production of income;

12-22 (11) [~~(10)~~] the appraised value of property the  
 12-23 collection of delinquent taxes on which is deferred under Section  
 12-24 33.06, Tax Code;

12-25 (12) [~~(11)~~] the portion of the appraised value of  
 12-26 property the collection of delinquent taxes on which is deferred  
 12-27 under Section 33.065, Tax Code; and

12-28 (13) [~~(12)~~] the amount by which the market value of a  
 12-29 residence homestead to which Section 23.23, Tax Code, applies  
 12-30 exceeds the appraised value of that property as calculated under  
 12-31 that section.

12-32 (d-1) For a school district for which in the 2005 tax year a  
 12-33 deduction from taxable value is made under Subsection (d)(4), the  
 12-34 comptroller shall certify to the commissioner of education a final  
 12-35 taxable value for the 2005 tax year, calculated as if the reduction  
 12-36 in the school district's ad valorem tax rate and the method of  
 12-37 calculating the amount of the deduction from taxable value under  
 12-38 Subsection (d)(5) required by H.B. No. 1, Acts of the 79th  
 12-39 Legislature, 3rd Called Session, 2006, took effect September 1,  
 12-40 2005. This subsection expires September 1, 2007.

12-41 (i) If the comptroller determines in the annual study that  
 12-42 the market value of property in a school district as determined by  
 12-43 the appraisal district that appraises property for the school  
 12-44 district, less the total of the amounts and values listed in  
 12-45 Subsection (d) as determined by that appraisal district, is valid,  
 12-46 the comptroller, in determining the taxable value of property in  
 12-47 the school district under Subsection (d), shall for purposes of  
 12-48 Subsection (d)(13) [~~(d)(12)~~] subtract from the market value as  
 12-49 determined by the appraisal district of residence homesteads to  
 12-50 which Section 23.23, Tax Code, applies the amount by which that  
 12-51 amount exceeds the appraised value of those properties as  
 12-52 calculated by the appraisal district under Section 23.23, Tax Code.  
 12-53 If the comptroller determines in the annual study that the market  
 12-54 value of property in a school district as determined by the  
 12-55 appraisal district that appraises property for the school district,  
 12-56 less the total of the amounts and values listed in Subsection (d) as  
 12-57 determined by that appraisal district, is not valid, the  
 12-58 comptroller, in determining the taxable value of property in the  
 12-59 school district under Subsection (d), shall for purposes of  
 12-60 Subsection (d)(13) [~~(d)(12)~~] subtract from the market value as  
 12-61 estimated by the comptroller of residence homesteads to which  
 12-62 Section 23.23, Tax Code, applies the amount by which that amount  
 12-63 exceeds the appraised value of those properties as calculated by  
 12-64 the appraisal district under Section 23.23, Tax Code.

12-65 SECTION 1.18. (a) Section 11.26, Tax Code, is amended by  
 12-66 adding Subsections (a-1) and (a-2) to read as follows:

12-67 (a-1) Notwithstanding the other provisions of this section  
 12-68 and except as provided by Subsection (a-2), if in the current tax  
 12-69 year an individual qualifies for a limitation on tax increases

13-1 provided by this section on the individual's residence homestead  
 13-2 and the individual or the individual's spouse qualified for an  
 13-3 exemption under Section 11.13(c) for the same homestead in the  
 13-4 preceding tax year, the amount of the limitation provided by this  
 13-5 section on the homestead in the current tax year is equal to the  
 13-6 lesser of:

13-7 (1) the amount computed by:

13-8 (A) multiplying the amount of tax the school  
 13-9 district imposed on the homestead in the preceding tax year by the  
 13-10 lesser of one or a fraction the numerator of which is the tax rate of  
 13-11 the district for the current tax year and the denominator of which  
 13-12 is the tax rate of the district for the preceding tax year; and

13-13 (B) adding to the amount computed under Paragraph  
 13-14 (A) any tax in the current tax year attributable to improvements  
 13-15 made in the preceding tax year, as provided by Subsection (b); or

13-16 (2) the amount of the limitation on tax increases on  
 13-17 the homestead as otherwise provided by this section.

13-18 (a-2) Notwithstanding the other provisions of this section,  
 13-19 if in the 2007 tax year an individual qualifies for a limitation on  
 13-20 tax increases provided by this section on the individual's  
 13-21 residence homestead and the first tax year the individual or the  
 13-22 individual's spouse qualified for an exemption under Section  
 13-23 11.13(c) for the same homestead was a tax year before the 2006 tax  
 13-24 year, the amount of the limitation provided by this section on the  
 13-25 homestead in the 2007 tax year is equal to the amount computed by:

13-26 (1) multiplying the amount of tax the school district  
 13-27 imposed on the homestead in the 2005 tax year by the lesser of one or  
 13-28 a fraction the numerator of which is the tax rate of the district  
 13-29 for the 2006 tax year and the denominator of which is the tax rate of  
 13-30 the district for the 2005 tax year;

13-31 (2) adding to the amount computed under Subdivision  
 13-32 (1) any tax in the 2006 tax year attributable to improvements made  
 13-33 in the 2005 tax year, as provided by Subsection (b);

13-34 (3) multiplying the amount computed under Subdivision  
 13-35 (2) by the lesser of one or a fraction the numerator of which is the  
 13-36 tax rate of the district for the 2007 tax year and the denominator  
 13-37 of which is the tax rate of the district for the 2006 tax year; and

13-38 (4) adding to the amount computed under Subdivision  
 13-39 (3) any tax in the 2007 tax year attributable to improvements made  
 13-40 in the 2006 tax year, as provided by Subsection (b).

13-41 (b) Section 42.2511(a), Education Code, is amended to read  
 13-42 as follows:

13-43 (a) Notwithstanding any other provision of this chapter, a  
 13-44 school district is entitled to additional state aid to the extent  
 13-45 that state aid under this chapter based on the determination of the  
 13-46 school district's taxable value of property as provided under  
 13-47 Subchapter M, Chapter 403, Government Code, does not fully  
 13-48 compensate the district for ad valorem tax revenue lost due to:

13-49 (1) the increase in the homestead exemption under  
 13-50 Section 1-b(c), Article VIII, Texas Constitution, as proposed by  
 13-51 H.J.R. No. 4, 75th Legislature, Regular Session, 1997, and the  
 13-52 additional limitation on tax increases under Section 1-b(d),  
 13-53 Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th  
 13-54 Legislature, Regular Session, 1997; and

13-55 (2) the reduction of the limitation on tax increases  
 13-56 to reflect any reduction in the school district tax rate as provided  
 13-57 by Section 11.26(a-1) or (a-2), Tax Code, as applicable.

13-58 (c) Section 403.302, Government Code, is amended by  
 13-59 amending Subsection (j) and adding Subsection (j-1) to read as  
 13-60 follows:

13-61 (j) For purposes of Section 42.2511, Education Code, the  
 13-62 comptroller shall certify to the commissioner of education:

13-63 (1) a final value for each school district computed on  
 13-64 a residence homestead exemption under Section 1-b(c), Article VIII,  
 13-65 Texas Constitution, of \$5,000; ~~and~~

13-66 (2) a final value for each school district computed  
 13-67 on:

13-68 (A) a residence homestead exemption under  
 13-69 Section 1-b(c), Article VIII, Texas Constitution, of \$15,000; and

14-1 (B) the effect of the additional limitation on  
 14-2 tax increases under Section 1-b(d), Article VIII, Texas  
 14-3 Constitution, as proposed by H.J.R. No. 4, 75th Legislature,  
 14-4 Regular Session, 1997; and

14-5 (3) a final value for each school district computed on  
 14-6 the effect of the reduction of the limitation on tax increases to  
 14-7 reflect any reduction in the school district tax rate as provided by  
 14-8 Section 11.26(a-1) or (a-2), Tax Code, as applicable.

14-9 (j-1) For purposes of applying Subsection (j)(3) in the  
 14-10 2007-2008 school year, the comptroller shall compute the final  
 14-11 value under that subsection as if the reduction of the limitation on  
 14-12 tax increases to reflect any reduction in the school district tax  
 14-13 rate as provided by Section 11.26(a-1) or (a-2), Tax Code, as  
 14-14 applicable, had taken effect in the 2006 tax year. This subsection  
 14-15 expires September 1, 2008.

14-16 (d) This section applies only to an ad valorem tax year that  
 14-17 begins on or after January 1, 2007.

14-18 (e) This section takes effect January 1, 2007, but only if  
 14-19 the constitutional amendment proposed by the 79th Legislature, 3rd  
 14-20 Called Session, 2006, authorizing the legislature to provide for a  
 14-21 reduction of the limitation on the total amount of ad valorem taxes  
 14-22 that may be imposed for public school purposes on the residence  
 14-23 homesteads of the elderly or disabled to reflect any reduction in  
 14-24 the rate of those taxes is approved by the voters. If that  
 14-25 amendment is not approved by the voters, this section has no effect.

14-26 SECTION 1.19. Chapter 12, Agriculture Code, is amended by  
 14-27 adding Section 12.041 to read as follows:

14-28 Sec. 12.041. SCHOOL BREAKFAST AND LUNCH PROGRAM. (a) The  
 14-29 department, the Texas Education Agency, and the Health and Human  
 14-30 Services Commission shall ensure that applicable information  
 14-31 maintained by each entity is used on at least a quarterly basis to  
 14-32 identify children who are categorically eligible for free meals  
 14-33 under the national free or reduced-price breakfast and lunch  
 14-34 program. In complying with this subsection, the department,  
 14-35 agency, and commission shall use information that corresponds to  
 14-36 the months of the year in which enrollment in the food stamp program  
 14-37 is customarily higher than average.

14-38 (b) The department shall determine the feasibility of  
 14-39 establishing a process under which school districts verify student  
 14-40 eligibility for the national free or reduced-price breakfast and  
 14-41 lunch program through a direct verification process that uses  
 14-42 information maintained under the food stamp and Medicaid programs,  
 14-43 as authorized by 42 U.S.C. Section 1758(b)(3), as amended by  
 14-44 Section 105(a) of the Child Nutrition and WIC Reauthorization Act  
 14-45 of 2004 (Pub. L. No. 108-265), and 7 C.F.R. Sections 245.6a(a)(1)  
 14-46 and (3) and 245.6a(b)(3). If the department determines the process  
 14-47 described by this subsection is feasible, the department may  
 14-48 implement the process.

14-49 SECTION 1.20. Sections 42.253(e), (e-1), (f), and (l),  
 14-50 Education Code, are repealed.

#### 14-51 ARTICLE 2. FISCAL ACCOUNTABILITY

14-52 SECTION 2.01. Chapter 1, Education Code, is amended by  
 14-53 adding Section 1.005 to read as follows:

14-54 Sec. 1.005. EDUCATION RESEARCH CENTERS; SHARING STUDENT  
 14-55 INFORMATION. (a) In this section:

14-56 (1) "Center" means a center for education research  
 14-57 authorized by this section.

14-58 (2) "Coordinating board" means the Texas Higher  
 14-59 Education Coordinating Board.

14-60 (b) The commissioner of education and the coordinating  
 14-61 board may establish not more than three centers for education  
 14-62 research for conducting research described by Subsections (e) and  
 14-63 (f).

14-64 (c) A center may be established as part of:

14-65 (1) the Texas Education Agency;

14-66 (2) the coordinating board; or

14-67 (3) a public junior college, public senior college or  
 14-68 university, or public state college, as those terms are defined by  
 14-69 Section 61.003.

15-1 (d) A center may be operated under a memorandum of  
 15-2 understanding between the commissioner of education, the  
 15-3 coordinating board, and the governing board of an educational  
 15-4 institution described by Subsection (c)(3). The memorandum of  
 15-5 understanding must require the commissioner of education, or a  
 15-6 person designated by the commissioner, and the coordinating board,  
 15-7 or a person designated by the coordinating board, to provide  
 15-8 direct, joint supervision of the center under this section.

15-9 (e) A center shall conduct research for the benefit of  
 15-10 education in this state, including research relating to the impact  
 15-11 of state and federal education programs, the performance of  
 15-12 educator preparation programs, public school finance, and the best  
 15-13 practices of school districts with regard to classroom instruction,  
 15-14 bilingual education programs, special language programs, and  
 15-15 business practices.

15-16 (f) The commissioner of education and the coordinating  
 15-17 board:

15-18 (1) under the memorandum of understanding described by  
 15-19 Subsection (d), may require a center to conduct certain research  
 15-20 projects considered of particular importance to the state, as  
 15-21 determined by the commissioner and the coordinating board;

15-22 (2) not later than the 45th day before the date a  
 15-23 research project required to be conducted under this subsection is  
 15-24 scheduled to begin, shall notify the governor, the Legislative  
 15-25 Budget Board, and the governing body of the educational institution  
 15-26 in which the center is established that the research project is  
 15-27 required; and

15-28 (3) shall provide sufficient funds to finance the  
 15-29 project.

15-30 (g) In conducting research under this section, a center:

15-31 (1) may use data on student performance, including  
 15-32 data that is confidential under the Family Educational Rights and  
 15-33 Privacy Act of 1974 (20 U.S.C. Section 1232g), the center has  
 15-34 collected from the Texas Education Agency, the coordinating board,  
 15-35 any public or private institution of higher education, and any  
 15-36 school district; and

15-37 (2) shall comply with rules adopted by the  
 15-38 commissioner of education and the coordinating board to protect the  
 15-39 confidentiality of student information, including rules  
 15-40 establishing procedures to ensure that confidential student  
 15-41 information is not duplicated or removed from a center in an  
 15-42 unauthorized manner.

15-43 (h) The commissioner of education and the coordinating  
 15-44 board may:

15-45 (1) accept gifts and grants to be used in operating one  
 15-46 or more centers; and

15-47 (2) by rule impose reasonable fees, as appropriate,  
 15-48 for the use of a center's research, resources, or facilities.

15-49 (i) This section does not authorize the disclosure of  
 15-50 student information that may not be disclosed under the Family  
 15-51 Educational Rights and Privacy Act of 1974 (20 U.S.C. Section  
 15-52 1232g).

15-53 (j) The commissioner of education and the coordinating  
 15-54 board shall adopt rules as necessary to implement this section.

15-55 (k) In implementing this section, the commissioner of  
 15-56 education may use funds appropriated to the agency and available  
 15-57 for the purpose of establishing the centers. After a center is  
 15-58 established, the center must be funded by gifts and grants accepted  
 15-59 under Subsection (h)(1) and fees imposed under Subsection (h)(2).  
 15-60 Fees adopted under Subsection (h)(2) must be set in an amount  
 15-61 sufficient to provide for the continued operation of the center.

15-62 SECTION 2.02. Subchapter A, Chapter 7, Education Code, is  
 15-63 amended by adding Sections 7.008 and 7.009 to read as follows:

15-64 Sec. 7.008. PUBLIC ACCESS TO PEIMS DATA. (a) The  
 15-65 commissioner with the assistance of an advisory panel described by  
 15-66 Subsection (b) shall develop a request for proposal for a qualified  
 15-67 third-party contractor to develop and implement procedures to make  
 15-68 available, through the agency Internet website, all financial and  
 15-69 academic performance data submitted through the Public Education

16-1 Information Management System (PEIMS) for school districts and  
 16-2 campuses.

16-3 (b) The commissioner shall appoint an advisory panel to  
 16-4 assist the commissioner in developing requirements for a system  
 16-5 that is easily accessible by the general public and contains  
 16-6 information of primary relevance to the public. The advisory panel  
 16-7 shall consist of:

16-8 (1) educators;

16-9 (2) interested stakeholders;

16-10 (3) business leaders; and

16-11 (4) other interested members of the public.

16-12 (c) The procedures developed under this section must  
 16-13 provide:

16-14 (1) a summarized format easily understood by the  
 16-15 public for reporting financial and academic performance  
 16-16 information on the agency Internet website; and

16-17 (2) the ability for those who access the Internet  
 16-18 website to view and download state, district, and campus level  
 16-19 information.

16-20 (d) This section does not authorize the disclosure of  
 16-21 student information that may not be disclosed under the Family  
 16-22 Educational Rights and Privacy Act of 1974 (20 U.S.C. Section  
 16-23 1232g). The commissioner shall adopt rules to protect the  
 16-24 confidentiality of student information.

16-25 (e) The procedures to make available, through the agency  
 16-26 Internet website, all financial and academic performance  
 16-27 information for school districts and campuses as described by this  
 16-28 section shall be implemented not later than August 1, 2007. This  
 16-29 subsection expires August 1, 2009.

16-30 Sec. 7.009. BEST PRACTICES; CLEARINGHOUSE. (a) In  
 16-31 coordination with the Legislative Budget Board, the agency shall  
 16-32 establish an online clearinghouse of information relating to best  
 16-33 practices of campuses and school districts regarding instruction,  
 16-34 public school finance, resource allocation, and business  
 16-35 practices. To the extent practicable, the agency shall ensure that  
 16-36 information provided through the online clearinghouse is specific,  
 16-37 actionable information relating to the best practices of  
 16-38 high-performing and highly efficient campuses and school districts  
 16-39 rather than general guidelines relating to campus and school  
 16-40 district operation. The information must be accessible by campuses,  
 16-41 school districts, and interested members of the public.

16-42 (b) The agency shall solicit and collect from the  
 16-43 Legislative Budget Board, centers for education research  
 16-44 established under Section 1.005, and exemplary or recognized school  
 16-45 districts, campuses, and open-enrollment charter schools, as rated  
 16-46 under Section 39.072, examples of best practices relating to  
 16-47 instruction, public school finance, resource allocation, and  
 16-48 business practices, including best practices relating to  
 16-49 curriculum, scope and sequence, compensation and incentive  
 16-50 systems, bilingual education and special language programs,  
 16-51 compensatory education programs, and the effective use of  
 16-52 instructional technology, including online courses.

16-53 (c) The agency shall contract for the services of one or  
 16-54 more third-party contractors to develop, implement, and maintain a  
 16-55 system of collecting and evaluating the best practices of campuses  
 16-56 and school districts as provided by this section. In addition to  
 16-57 any other considerations required by law, the agency must consider  
 16-58 an applicant's demonstrated competence and qualifications in  
 16-59 analyzing campus and school district practices in awarding a  
 16-60 contract under this subsection.

16-61 (d) The commissioner may purchase from available funds  
 16-62 curriculum and other instructional tools identified under this  
 16-63 section to provide for use by school districts.

16-64 SECTION 2.03. Subchapter A, Chapter 11, Education Code, is  
 16-65 amended by adding Section 11.003 to read as follows:

16-66 Sec. 11.003. ADMINISTRATIVE EFFICIENCY. (a) Not later  
 16-67 than December 1, 2006, the commissioner shall evaluate the  
 16-68 feasibility of including a uniform indicator under Section  
 16-69 39.202(b) that measures effective administrative management

17-1 through the use of cooperative shared services arrangements. If  
 17-2 the commissioner determines that the adoption of a uniform  
 17-3 indicator described by this subsection is feasible, the  
 17-4 commissioner by rule shall include the indicator in the financial  
 17-5 accountability rating system under Subchapter I, Chapter 39, for  
 17-6 school districts beginning with the 2007-2008 school year. This  
 17-7 subsection expires September 1, 2009.

17-8 (b) Each regional education service center shall:

17-9 (1) notify each school district served by the center  
 17-10 regarding the opportunities available through the center for  
 17-11 cooperative shared services arrangements within the center's  
 17-12 service area; and

17-13 (2) evaluate the need for cooperative shared services  
 17-14 arrangements within the center's service area and consider  
 17-15 expanding center-sponsored cooperative shared services  
 17-16 arrangements.

17-17 (c) Each regional education service center shall assist a  
 17-18 school district board of trustees in entering into an agreement  
 17-19 with another district or political subdivision, a regional  
 17-20 education service center, or an institution of higher education as  
 17-21 defined by Section 61.003, for a cooperative shared services  
 17-22 arrangement regarding administrative services, including  
 17-23 transportation, food service, purchasing, and payroll functions.

17-24 (d) The commissioner may require a district to enter into a  
 17-25 cooperative shared services arrangement for administrative  
 17-26 services if the commissioner determines:

17-27 (1) that the district has failed to satisfy a  
 17-28 financial accountability standard as determined by commissioner  
 17-29 rule under Subchapter I, Chapter 39; and

17-30 (2) that entering into a cooperative shared services  
 17-31 arrangement would:

17-32 (A) enable the district to enhance its  
 17-33 performance on the financial accountability standard identified  
 17-34 under Subdivision (1); and

17-35 (B) promote the efficient operation of the  
 17-36 district.

17-37 (e) The commissioner may require an open-enrollment charter  
 17-38 school to enter into a cooperative shared services arrangement for  
 17-39 administrative services if the commissioner determines, after an  
 17-40 audit conducted under Section 12.1163, that such a cooperative  
 17-41 shared services arrangement would promote the efficient operation  
 17-42 of the school.

17-43 SECTION 2.04. Subchapter D, Chapter 11, Education Code, is  
 17-44 amended by adding Section 11.170 to read as follows:

17-45 Sec. 11.170. INTERNAL AUDITOR. If a school district  
 17-46 employs an internal auditor:

17-47 (1) the board of trustees shall select the internal  
 17-48 auditor; and

17-49 (2) the internal auditor shall report directly to the  
 17-50 board.

17-51 SECTION 2.05. Section 39.202(a), Education Code, is amended  
 17-52 to read as follows:

17-53 (a) The commissioner shall, in consultation with the  
 17-54 comptroller, develop and implement a financial accountability  
 17-55 rating system for school districts in this state that:

17-56 (1) distinguishes among school districts based on  
 17-57 levels of financial performance; and

17-58 (2) includes procedures to:  
 17-59 (A) provide additional transparency to public  
 17-60 education finance; and

17-61 (B) enable the commissioner and school district  
 17-62 administrators to provide meaningful financial oversight and  
 17-63 improvement.

17-64 SECTION 2.06. Subchapter A, Chapter 44, Education Code, is  
 17-65 amended by adding Section 44.0041 to read as follows:

17-66 Sec. 44.0041. PUBLICATION OF SUMMARY OF PROPOSED BUDGET.

17-67 (a) Concurrently with the publication of notice of the budget under  
 17-68 Section 44.004, a school district shall post a summary of the  
 17-69 proposed budget:

18-1 (1) on the school district's Internet website; or  
 18-2 (2) if the district has no Internet website, in the  
 18-3 district's central administrative office.

18-4 (b) The budget summary must include:  
 18-5 (1) information relating to per student and aggregate  
 18-6 spending on:

- 18-7 (A) instruction;
- 18-8 (B) instructional support;
- 18-9 (C) central administration;
- 18-10 (D) district operations;
- 18-11 (E) debt service; and
- 18-12 (F) any other category designated by the  
 18-13 commissioner; and

18-14 (2) a comparison to the previous year's actual  
 18-15 spending.

18-16 SECTION 2.07. Subchapter A, Chapter 44, Education Code, is  
 18-17 amended by adding Section 44.0061 to read as follows:

18-18 Sec. 44.0061. REVIEW OF ACCOUNTING SYSTEM. (a) The  
 18-19 commissioner shall contract with a qualified third-party  
 18-20 contractor to conduct a comprehensive review of the accounting  
 18-21 systems used by school districts under Section 44.007.

18-22 (b) The third-party contractor conducting the review under  
 18-23 this section shall:

18-24 (1) provide any recommendations relating to the  
 18-25 accounting systems to:

- 18-26 (A) improve the transparency of district  
 18-27 spending behavior;
- 18-28 (B) provide more thorough information relating  
 18-29 to campus spending; and
- 18-30 (C) facilitate program evaluations, including  
 18-31 evaluations of compensatory education programs; and

18-32 (2) evaluate the accounting systems to determine  
 18-33 whether any reporting requirements should be adjusted based on  
 18-34 district size.

18-35 (c) Before January 1, 2007, the commissioner shall submit a  
 18-36 report to the legislature describing the results of the review  
 18-37 conducted under this section.

18-38 (d) This section expires January 2, 2007.

18-39 SECTION 2.08. Section 44.007, Education Code, is amended by  
 18-40 amending Subsection (b) and adding Subsections (e) and (f) to read  
 18-41 as follows:

18-42 (b) The accounting system must meet at least the minimum  
 18-43 requirements prescribed by the commissioner [~~State Board of~~  
 18-44 Education], subject to review and comment by the state auditor.

18-45 (e) Not later than January 1, 2007, the commissioner shall  
 18-46 submit a report to the legislature evaluating the benefits of  
 18-47 providing school districts with standardized accounting software  
 18-48 that complies with the requirements of this section and any other  
 18-49 appropriate statutes. The report:

18-50 (1) shall consider:

18-51 (A) any savings and costs accrued to school  
 18-52 districts resulting from the use of the software provided,  
 18-53 including any savings accrued from eliminating the payment of  
 18-54 programming costs in response to changes in statute or  
 18-55 administrative rules;

18-56 (B) any accountability benefits achieved by  
 18-57 providing the information collected by the software regularly to  
 18-58 the agency and the public; and

18-59 (C) any personnel and other resources required  
 18-60 for the agency to continuously review the information collected in  
 18-61 order to alert members of school district boards of trustees and  
 18-62 superintendents regarding areas of potential waste or fraud; and

18-63 (2) may consider software accessed by alternative  
 18-64 methods, including web-based methods or network-based methods,  
 18-65 that the commissioner considers most economical for districts of  
 18-66 different sizes.

18-67 (f) This subsection and Subsection (e) expire September 1,  
 18-68 2007.

18-69 SECTION 2.09. Subchapter A, Chapter 44, Education Code, is

19-1 amended by adding Section 44.011 to read as follows:

19-2 Sec. 44.011. SPENDING TARGETS FOR DISTRICT EXPENDITURES.

19-3 (a) The commissioner shall annually establish and publish the  
 19-4 proposed expenditures for each school district as determined by the  
 19-5 commissioner based on an evaluation of information relating to the  
 19-6 best practices of campuses and districts as described by Section  
 19-7 7.009. The commissioner shall consider unique characteristics of  
 19-8 the district, including the district's size.

19-9 (b) The proposed expenditures to be determined as required  
 19-10 by Subsection (a) must include amounts for:

19-11 (1) instructional expenditures;

19-12 (2) central administrative expenditures;

19-13 (3) district operations; and

19-14 (4) any other category designated by the commissioner.

19-15 (c) If the board of trustees of a school district intends to  
 19-16 exceed the proposed expenditures established by the commissioner  
 19-17 under this section, the board must adopt and publish a resolution  
 19-18 that includes an explanation justifying the board's actions.

19-19 SECTION 2.10. The Texas Education Agency shall study the  
 19-20 level of use of shared services arrangements by school districts in  
 19-21 this state. Before January 1, 2007, the agency shall submit a  
 19-22 report to the legislature describing the current status of shared  
 19-23 services arrangements and identify any legal impediments  
 19-24 restricting school districts from participating in those  
 19-25 arrangements.

#### 19-26 ARTICLE 3. ACADEMIC ACCOUNTABILITY

19-27 SECTION 3.01. Subchapter A, Chapter 7, Education Code, is  
 19-28 amended by adding Section 7.010 to read as follows:

19-29 Sec. 7.010. ELECTRONIC STUDENT RECORDS SYSTEM. (a) In this  
 19-30 section, "institution of higher education" has the meaning assigned  
 19-31 by Section 61.003.

19-32 (b) Each school district, open-enrollment charter school,  
 19-33 and institution of higher education shall participate in an  
 19-34 electronic student records system that satisfies standards  
 19-35 approved by the commissioner of education and the commissioner of  
 19-36 higher education.

19-37 (c) The electronic student records system must permit an  
 19-38 authorized state or district official or an authorized  
 19-39 representative of an institution of higher education to  
 19-40 electronically transfer to and from an educational institution in  
 19-41 which the student is enrolled and retrieve student transcripts,  
 19-42 including information concerning a student's:

19-43 (1) course or grade completion;

19-44 (2) teachers of record;

19-45 (3) assessment instrument results;

19-46 (4) receipt of special education services, including  
 19-47 placement in a special education program and the individualized  
 19-48 education program developed; and

19-49 (5) personal graduation plan as described by Section  
 19-50 28.0212.

19-51 (d) The commissioner of education or the commissioner of  
 19-52 higher education may solicit and accept grant funds to maintain the  
 19-53 electronic student records system and to make the system available  
 19-54 to school districts, open-enrollment charter schools, and  
 19-55 institutions of higher education.

19-56 (e) A private or independent institution of higher  
 19-57 education, as defined by Section 61.003, may participate in the  
 19-58 electronic student records system under this section. If a private  
 19-59 or independent institution of higher education elects to  
 19-60 participate, the institution must provide the funding to  
 19-61 participate in the system.

19-62 (f) Any person involved in the transfer and retrieval of  
 19-63 student information under this section is subject to any state or  
 19-64 federal law governing the release of or providing access to any  
 19-65 confidential information to the same extent as the educational  
 19-66 institution from which the data is collected. A person may not  
 19-67 release or distribute the data to any other person in a form that  
 19-68 contains confidential information.

19-69 (g) The electronic student records system shall be

20-1 implemented not later than the 2007-2008 school year. This  
 20-2 subsection expires September 1, 2008.

20-3 SECTION 3.02. Section 8.051(b), Education Code, is amended  
 20-4 to read as follows:

20-5 (b) Each regional education service center shall annually  
 20-6 develop and submit to the commissioner for approval a plan for  
 20-7 improvement. Each plan must include the purposes and description  
 20-8 of the services the center will provide to:

20-9 (1) campuses identified as academically unacceptable  
 20-10 [~~low-performing~~] based on the indicators adopted under Section  
 20-11 39.051;

20-12 (2) the lowest-performing campuses in the region; and

20-13 (3) other campuses.

20-14 SECTION 3.03. Section 12.013(b), Education Code, is amended  
 20-15 to read as follows:

20-16 (b) A home-rule school district is subject to:

20-17 (1) a provision of this title establishing a criminal  
 20-18 offense;

20-19 (2) a provision of this title relating to limitations  
 20-20 on liability; and

20-21 (3) a prohibition, restriction, or requirement, as  
 20-22 applicable, imposed by this title or a rule adopted under this  
 20-23 title, relating to:

20-24 (A) the Public Education Information Management  
 20-25 System (PEIMS) to the extent necessary to monitor compliance with  
 20-26 this subchapter as determined by the commissioner;

20-27 (B) educator certification under Chapter 21 and  
 20-28 educator rights under Sections 21.407, 21.408, and 22.001;

20-29 (C) criminal history records under Subchapter C,  
 20-30 Chapter 22;

20-31 (D) student admissions under Section 25.001;

20-32 (E) school attendance under Sections 25.085,  
 20-33 25.086, and 25.087;

20-34 (F) inter-district or inter-county transfers of  
 20-35 students under Subchapter B, Chapter 25;

20-36 (G) elementary class size limits under Section  
 20-37 25.112, in the case of any campus in the district that is considered  
 20-38 academically unacceptable [~~low-performing~~] under Section 39.132;

20-39 (H) high school graduation under Section 28.025;

20-40 (I) special education programs under Subchapter  
 20-41 A, Chapter 29;

20-42 (J) bilingual education under Subchapter B,  
 20-43 Chapter 29;

20-44 (K) prekindergarten programs under Subchapter E,  
 20-45 Chapter 29;

20-46 (L) safety provisions relating to the  
 20-47 transportation of students under Sections 34.002, 34.003, 34.004,  
 20-48 and 34.008;

20-49 (M) computation and distribution of state aid  
 20-50 under Chapters 31, 42, and 43;

20-51 (N) extracurricular activities under Section  
 20-52 33.081;

20-53 (O) health and safety under Chapter 38;

20-54 (P) public school accountability under  
 20-55 Subchapters B, C, D, and G, Chapter 39;

20-56 (Q) equalized wealth under Chapter 41;

20-57 (R) a bond or other obligation or tax rate under  
 20-58 Chapters 42, 43, and 45; and

20-59 (S) purchasing under Chapter 44.

20-60 SECTION 3.04. Section 21.453(b), Education Code, is amended  
 20-61 to read as follows:

20-62 (b) The commissioner may allocate funds from the account to  
 20-63 regional education service centers to provide staff development  
 20-64 resources to school districts that:

20-65 (1) are rated academically unacceptable;

20-66 (2) have one or more campuses rated as academically  
 20-67 unacceptable [~~low-performing~~]; or

20-68 (3) are otherwise in need of assistance as indicated  
 20-69 by the academic performance of students, as determined by the

21-1 commissioner.

21-2 SECTION 3.05. Section 28.006(j), Education Code, is amended  
21-3 to read as follows:

21-4 (j) No more than 15 percent of the funds certified by the  
21-5 commissioner under Subsection (i) may be spent on indirect costs.  
21-6 The commissioner shall evaluate the programs that fail to meet the  
21-7 standard of performance under Section 39.051(b)(8) [~~39.051(b)(7)~~]  
21-8 and may implement sanctions under Subchapter G, Chapter 39. The  
21-9 commissioner may audit the expenditures of funds appropriated for  
21-10 purposes of this section. The use of the funds appropriated for  
21-11 purposes of this section shall be verified as part of the district  
21-12 audit under Section 44.008.

21-13 SECTION 3.06. Section 29.202(a), Education Code, is amended  
21-14 to read as follows:

21-15 (a) A student is eligible to receive a public education  
21-16 grant or to attend another public school in the district in which  
21-17 the student resides under this subchapter if the student is  
21-18 assigned to attend a public school campus:

21-19 (1) at which 50 percent or more of the students did not  
21-20 perform satisfactorily on an assessment instrument administered  
21-21 under Section 39.023(a) or (c) in any two of the preceding three  
21-22 years; or

21-23 (2) that was, at any time in the preceding three years,  
21-24 considered academically unacceptable [~~low-performing~~] under  
21-25 Section 39.132.

21-26 SECTION 3.07. Subchapter B, Chapter 39, Education Code, is  
21-27 amended by adding Section 39.034 to read as follows:

21-28 Sec. 39.034. MEASURE OF ANNUAL IMPROVEMENT IN STUDENT  
21-29 ACHIEVEMENT. (a) The commissioner shall determine a method by  
21-30 which the agency may measure annual improvement in student  
21-31 achievement from one school year to the next on an assessment  
21-32 instrument required under this subchapter.

21-33 (b) The agency shall use a student's previous years'  
21-34 performance data on an assessment instrument required under this  
21-35 subchapter to determine the student's expected annual improvement.  
21-36 The agency shall report that expected level of annual improvement  
21-37 and the actual level of annual improvement achieved to the  
21-38 district. The report must state whether the student fell below,  
21-39 met, or exceeded the agency's expectation for improvement.

21-40 (c) The agency shall determine the necessary annual  
21-41 improvement required each year for a student to be prepared to pass  
21-42 the exit-level assessment instrument required under this  
21-43 subchapter for graduation. The agency shall report the necessary  
21-44 annual improvement required to the district. Each year, the report  
21-45 must state whether the student fell below, met, or exceeded the  
21-46 necessary target for improvement.

21-47 (d) The agency shall report to each school district the  
21-48 comparisons made under this section. Each school district shall  
21-49 provide the comparisons to each teacher for all students who were:

21-50 (1) assessed on an assessment instrument; and  
21-51 (2) taught by that teacher in the subject for which the  
21-52 assessment instrument was administered.

21-53 (e) The school a student attends shall provide a record of  
21-54 the comparisons made under this section and provided to the school  
21-55 under Subsection (d) in a written notice to the student's parents.

21-56 (f) To the extent practicable, the agency shall combine the  
21-57 report of the comparisons required under this section with the  
21-58 report of the student's performance on assessment instruments  
21-59 administered under Section 39.023.

21-60 (g) The commissioner shall implement this section beginning  
21-61 with the 2007-2008 school year. This subsection expires September  
21-62 1, 2008.

21-63 SECTION 3.08. Section 39.051(b), Education Code, as amended  
21-64 by Chapters 433 and 805, Acts of the 78th Legislature, Regular  
21-65 Session, 2003, is reenacted and amended to read as follows:

21-66 (b) Performance on the indicators adopted under this  
21-67 section shall be compared to state-established standards. The  
21-68 degree of change from one school year to the next in performance on  
21-69 each indicator adopted under this section shall also be considered.

22-1 The indicators must be based on information that is disaggregated  
22-2 by race, ethnicity, gender, and socioeconomic status and must  
22-3 include:

22-4 (1) the results of assessment instruments required  
22-5 under Sections 39.023(a), (c), and (1), aggregated by grade level  
22-6 and subject area;

22-7 (2) dropout rates, including dropout rates and  
22-8 district completion rates for grade levels 9 through 12, computed  
22-9 in accordance with standards and definitions adopted by the  
22-10 National Center for Education Statistics of the United States  
22-11 Department of Education;

22-12 (3) high school graduation rates, computed in  
22-13 accordance with standards and definitions adopted in compliance  
22-14 with the ~~[federal]~~ No Child Left Behind Act of 2001 (Pub. L. No.  
22-15 107-110);

22-16 (4) student attendance rates;

22-17 (5) the percentage of graduating students who attain  
22-18 scores on the secondary exit-level assessment instruments required  
22-19 under Subchapter B that are equivalent to a passing score on the  
22-20 assessment ~~[test]~~ instrument required under Section 51.3062  
22-21 ~~[51.306]~~;

22-22 (6) the percentage of graduating students who meet the  
22-23 course requirements established for the recommended high school  
22-24 program by State Board of Education rule;

22-25 (7) the results of the Scholastic Assessment Test  
22-26 (SAT), the American College Test (ACT), articulated postsecondary  
22-27 degree programs described by Section 61.852, and certified  
22-28 workforce training programs described by Chapter 311, Labor Code;

22-29 (8) the percentage of students, aggregated by grade  
22-30 level, provided accelerated instruction under Section 28.0211(c),  
22-31 the results of assessments administered under that section, the  
22-32 percentage of students promoted through the grade placement  
22-33 committee process under Section 28.0211, the subject of the  
22-34 assessment instrument on which each student failed to perform  
22-35 satisfactorily, and the performance of those students in the school  
22-36 year following that promotion on the assessment instruments  
22-37 required under Section 39.023;

22-38 (9) for students who have failed to perform  
22-39 satisfactorily on an assessment instrument required under Section  
22-40 39.023(a) or (c), the numerical progress of those students grouped  
22-41 by percentage on subsequent assessment instruments required under  
22-42 those sections, aggregated by grade level and subject area;

22-43 (10) the percentage of students exempted, by exemption  
22-44 category, from the assessment program generally applicable under  
22-45 this chapter; ~~[and]~~

22-46 (11) the percentage of students of limited English  
22-47 proficiency exempted from the administration of an assessment  
22-48 instrument under Sections 39.027(a)(3) and (4);

22-49 (12) the percentage of students in a special education  
22-50 program under Subchapter A, Chapter 29, assessed through assessment  
22-51 instruments developed or adopted under Section 39.023(b); and

22-52 (13) the measure of progress toward preparation for  
22-53 postsecondary success.

22-54 SECTION 3.09. Section 39.051(d), Education Code, is amended  
22-55 to read as follows:

22-56 (d) Annually, the commissioner shall define exemplary,  
22-57 recognized, and unacceptable performance for each academic  
22-58 excellence indicator included under Subsections (b)(1) through (7)  
22-59 ~~[(6)]~~ and shall project the standards for each of those levels of  
22-60 performance for succeeding years. For the indicator under  
22-61 Subsection (b)(8) ~~[(b)(7)]~~, the commissioner shall define  
22-62 exemplary, recognized, and unacceptable performance based on  
22-63 student performance for the period covering both the current and  
22-64 preceding academic years. In defining exemplary, recognized, and  
22-65 unacceptable performance for the indicators under Subsections  
22-66 (b)(2) and (4) ~~[(3)]~~, the commissioner may not consider as a dropout  
22-67 or as a student who has failed to attend school a student whose  
22-68 failure to attend school results from:

22-69 (1) the student's expulsion under Section 37.007; and

(2) as applicable:

(A) adjudication as having engaged in delinquent conduct or conduct indicating a need for supervision, as defined by Section 51.03, Family Code; or

(B) conviction of and sentencing for an offense under the Penal Code.

SECTION 3.10. Section 39.052(b), Education Code, is amended to read as follows:

(b) The report card shall include the following information:

(1) where applicable, the academic excellence indicators adopted under Sections 39.051(b)(1) through (10) [~~(9)~~];

(2) average class size by grade level and subject;

(3) the administrative and instructional costs per student, computed in a manner consistent with Section 44.0071; and

(4) the district's instructional expenditures ratio and instructional employees ratio computed under Section 44.0071, and the statewide average of those ratios, as determined by the commissioner.

SECTION 3.11. Section 39.071, Education Code, is amended to read as follows:

Sec. 39.071. ACCREDITATION. (a) Accreditation of a school district is determined in accordance with this section [~~subchapter~~]. The commissioner by rule shall define the following accreditation statuses:

(1) accredited;

(2) accredited-warned; and

(3) accredited-probation.

(b) Each year, the commissioner shall determine the accreditation status of each school district. In determining accreditation status, the commissioner:

(1) shall evaluate and consider the performance of the district under:

(A) the academic accountability system under Section 39.072; and

(B) the financial accountability rating system under Subchapter I; and

(2) may consider:

(A) the district's compliance with statutory requirements and requirements imposed by rule of the commissioner or State Board of Education under specific statutory authority that relate to:

(i) reporting data through the Public Education Information Management System (PEIMS) or other reports required by state or federal law or court order;

(ii) the high school graduation requirements under Section 28.025; or

(iii) an item listed under Sections 7.056(e)(3)(C)-(I) that applies to the district;

(B) the effectiveness of the district's programs for special populations; and

(C) the effectiveness of the district's career and technology program.

(c) Based on a school district's performance under Subsection (b), the commissioner shall:

(1) assign a district an accreditation status; or

(2) revoke the accreditation of the district and order closure of the district under this subchapter.

(d) The commissioner shall notify a school district that receives an accreditation status of accredited-warned or accredited-probation that the performance of the district is below a standard required under this section. The commissioner shall require the district to notify the parents of students enrolled in the district and property owners in the district of the district's accreditation status and the implications of that accreditation status.

(e) A school district that is not accredited may not receive funds from the agency or hold itself out as operating a public school of this state.

24-1 (f) This chapter may not be construed to invalidate a  
 24-2 diploma awarded, course credit earned, or grade promotion granted  
 24-3 by a school district before the commissioner revoked the district's  
 24-4 accreditation.

24-5 SECTION 3.12. Sections 39.072(b) and (c), Education Code,  
 24-6 are amended to read as follows:

24-7 (b) The academic excellence indicators adopted under  
 24-8 Sections 39.051(b)(1) through (8) [~~(7)~~] and the district's current  
 24-9 special education compliance status with the agency shall be the  
 24-10 main considerations of the agency in the rating of the district  
 24-11 under this section. Additional criteria in the rules may include  
 24-12 consideration of:

24-13 (1) compliance with statutory requirements and  
 24-14 requirements imposed by rule of the State Board of Education under  
 24-15 specific statutory authority that relate to:

24-16 (A) reporting data through the Public Education  
 24-17 Information Management System (PEIMS);

24-18 (B) the high school graduation requirements  
 24-19 under Section 28.025; or

24-20 (C) an item listed in Sections  
 24-21 7.056(e)(3)(C)-(I) that applies to the district;

24-22 (2) the effectiveness of the district's programs for  
 24-23 special populations; and

24-24 (3) the effectiveness of the district's career and  
 24-25 technology programs.

24-26 (c) The agency shall evaluate against state standards and  
 24-27 shall, not later than August 1 of each year, report the performance  
 24-28 of each campus in a district and each open-enrollment charter  
 24-29 school on the basis of the campus's performance on the indicators  
 24-30 adopted under Sections 39.051(b)(1) through (8) [~~(7)~~].  
 24-31 Consideration of the effectiveness of district programs under  
 24-32 Subsection (b)(2) or (3) must be based on data collected through the  
 24-33 Public Education Information Management System for purposes of  
 24-34 accountability under this chapter and include the results of  
 24-35 assessments required under Section 39.023.

24-36 SECTION 3.13. Sections 39.073(a) and (b), Education Code,  
 24-37 are amended to read as follows:

24-38 (a) The agency shall annually review the performance of each  
 24-39 district and campus on the indicators adopted under Sections  
 24-40 39.051(b)(1) through (8) [~~(7)~~] and determine if a change in the  
 24-41 accreditation status of the district is warranted. The  
 24-42 commissioner may determine how all indicators adopted under Section  
 24-43 39.051(b) may be used to determine accountability ratings and to  
 24-44 select districts and campuses for acknowledgment.

24-45 (b) Each annual review shall include an analysis of the  
 24-46 indicators under Sections 39.051(b)(1) through (8) [~~(6)~~] to  
 24-47 determine district and campus performance in relation to:

24-48 (1) standards established for each indicator;

24-49 (2) required improvement as defined under Section  
 24-50 39.051(c); and

24-51 (3) comparable improvement as defined by Section  
 24-52 39.051(c).

24-53 SECTION 3.14. Section 39.074(e), Education Code, is amended  
 24-54 to read as follows:

24-55 (e) If an annual review indicates low performance on one or  
 24-56 more of the indicators under Sections 39.051(b)(1) through (8)  
 24-57 [~~(7)~~] of one or more campuses in a district, the agency may conduct  
 24-58 an on-site evaluation of those campuses only.

24-59 SECTION 3.15. Section 39.131, Education Code, is amended to  
 24-60 read as follows:

24-61 Sec. 39.131. SANCTIONS FOR DISTRICTS. (a) If a school  
 24-62 district does not satisfy the accreditation criteria under Section  
 24-63 39.071, the academic performance standards under Section 39.072, or  
 24-64 any financial accountability standard as determined by  
 24-65 commissioner rule, the commissioner shall take any of the following  
 24-66 actions[~~, listed in order of severity,~~] to the extent the  
 24-67 commissioner determines necessary:

24-68 (1) issue public notice of the deficiency to the board  
 24-69 of trustees;

25-1 (2) order a hearing conducted by the board of trustees  
 25-2 of the district for the purpose of notifying the public of the  
 25-3 unacceptable performance, the improvements in performance expected  
 25-4 by the agency, and the sanctions that may be imposed under this  
 25-5 section if the performance does not improve;

25-6 (3) order the preparation of a student achievement  
 25-7 improvement plan that addresses each academic excellence indicator  
 25-8 for which the district's performance is unacceptable, the  
 25-9 submission of the plan to the commissioner for approval, and  
 25-10 implementation of the plan;

25-11 (4) order a hearing to be held before the commissioner  
 25-12 or the commissioner's designee at which the president of the board  
 25-13 of trustees of the district and the superintendent shall appear and  
 25-14 explain the district's low performance, lack of improvement, and  
 25-15 plans for improvement;

25-16 (5) arrange an on-site investigation of the district;

25-17 (6) appoint an agency monitor to participate in and  
 25-18 report to the agency on the activities of the board of trustees or  
 25-19 the superintendent;

25-20 (7) appoint a conservator to oversee the operations of  
 25-21 the district;

25-22 (8) appoint a management team to direct the operations  
 25-23 of the district in areas of unacceptable performance or require the  
 25-24 district to obtain certain services under a contract with another  
 25-25 person;

25-26 (9) if a district has a current accreditation status  
 25-27 of accredited-warned or accredited-probation, is [been] rated [as]  
 25-28 academically unacceptable, or fails to satisfy financial  
 25-29 accountability standards as determined by commissioner rule [for a  
 25-30 period of one year or more], appoint a board of managers to exercise  
 25-31 the powers and duties of the board of trustees;

25-32 (10) if for two consecutive school years, including  
 25-33 the current school year, a district has received an accreditation  
 25-34 status of accredited-warned or accredited-probation, has been  
 25-35 rated academically unacceptable, or has failed to satisfy financial  
 25-36 accountability standards as determined by commissioner rule,  
 25-37 revoke the district's accreditation and [been rated as academically  
 25-38 unacceptable for a period of two years or more]:

25-39 (A) order closure of the district and annex the  
 25-40 district to one or more adjoining districts under Section 13.054;  
 25-41 or

25-42 (B) in the case of a home-rule school district or  
 25-43 open-enrollment charter school, order closure of all programs  
 25-44 operated under the district's or school's charter; or

25-45 (11) if a district has been rated [as] academically  
 25-46 unacceptable for [a period of] two consecutive school years,  
 25-47 including the current school year, [or more] due to the district's  
 25-48 dropout rates, impose sanctions designed to improve high school  
 25-49 completion rates, including:

25-50 (A) ordering the development of a dropout  
 25-51 prevention plan for approval by the commissioner;

25-52 (B) restructuring the district or appropriate  
 25-53 school campuses to improve identification of and service to  
 25-54 students who are at risk of dropping out of school, as defined by  
 25-55 Section 29.081;

25-56 (C) ordering lower student-to-counselor ratios  
 25-57 on school campuses with high dropout rates; and

25-58 (D) ordering the use of any other intervention  
 25-59 strategy effective in reducing dropout rates, including mentor  
 25-60 programs and flexible class scheduling.

25-61 (b) This subsection applies regardless of whether a  
 25-62 district has satisfied the accreditation criteria. If for two  
 25-63 consecutive school years, including the current school year, [a  
 25-64 period of one year or more] a district has had a conservator or  
 25-65 management team assigned, the commissioner may appoint a board of  
 25-66 managers, a majority of whom must be residents of the district, to  
 25-67 exercise the powers and duties of the board of trustees.

25-68 SECTION 3.16. Section 39.132, Education Code, is amended to  
 25-69 read as follows:

26-1           Sec. 39.132. SANCTIONS FOR ACADEMICALLY UNACCEPTABLE AND  
 26-2 CERTAIN OTHER CAMPUSES. [~~(a)~~] If a campus performance is below any  
 26-3 standard under Section 39.073(b), the campus is considered an  
 26-4 academically unacceptable [~~a low-performing~~] campus. The  
 26-5 commissioner may permit the campus to participate in an innovative  
 26-6 redesign of the campus to improve campus performance or shall [~~may~~]  
 26-7 take any of the other following actions [~~, listed in order of~~  
 26-8 ~~severity~~], to the extent the commissioner determines necessary:

26-9           (1) issue public notice of the deficiency to the board  
 26-10 of trustees;

26-11           (2) order a hearing conducted by the board of trustees  
 26-12 at the campus for the purpose of:

26-13           (A) notifying the public of the unacceptable  
 26-14 performance, the improvements in performance expected by the  
 26-15 agency, and the sanctions that may be imposed under this section if  
 26-16 the performance does not improve within a designated period of  
 26-17 time; and

26-18           (B) soliciting public comment on the initial  
 26-19 steps being taken to improve performance;

26-20           (3) order the preparation of a report regarding the  
 26-21 parental involvement program at the campus and a plan describing  
 26-22 strategies for improving parental involvement at the campus;

26-23           (4) order the preparation of a report regarding the  
 26-24 effectiveness of the district- and campus-level planning and  
 26-25 decision-making committees established under Subchapter F, Chapter  
 26-26 11, and a plan describing strategies for improving the  
 26-27 effectiveness of those committees;

26-28           (5) order the preparation of a student [~~achievement~~]  
 26-29 improvement plan that addresses each academic excellence indicator  
 26-30 for which the campus's performance is unacceptable, the submission  
 26-31 of the plan to the commissioner for approval, and implementation of  
 26-32 the plan;

26-33           (6) order a hearing to be held before the commissioner  
 26-34 or the commissioner's designee at which the president of the board  
 26-35 of trustees, the superintendent, and the campus principal shall  
 26-36 appear and explain the campus's low performance, lack of  
 26-37 improvement, and plans for improvement; or

26-38           (7) appoint a campus intervention team under Section  
 26-39 39.1322.

26-40           ~~[(7) appoint a special campus intervention team to:~~  
 26-41           ~~[(A) conduct a comprehensive on-site evaluation~~  
 26-42 ~~of the campus to determine the cause for the campus's low~~  
 26-43 ~~performance and lack of progress;~~

26-44           ~~[(B) recommend actions, including reallocation~~  
 26-45 ~~of resources and technical assistance, changes in school procedures~~  
 26-46 ~~or operations, staff development for instructional and~~  
 26-47 ~~administrative staff, intervention for individual administrators~~  
 26-48 ~~or teachers, waivers from state statute or rule, or other actions~~  
 26-49 ~~the team considers appropriate;~~

26-50           ~~[(C) assist in the development of a campus plan~~  
 26-51 ~~for student achievement; and~~

26-52           ~~[(D) assist the commissioner in monitoring the~~  
 26-53 ~~progress of the campus in implementing the campus plan for~~  
 26-54 ~~improvement of student achievement; or~~

26-55           ~~[(8) if a campus has been a low-performing campus for a~~  
 26-56 ~~period of one year or more, appoint a board of managers composed of~~  
 26-57 ~~residents of the district to exercise the powers and duties of the~~  
 26-58 ~~board of trustees of the district in relation to the campus.~~

26-59           ~~[(b) If a campus has been a low-performing campus for a~~  
 26-60 ~~period of two consecutive years or more, the commissioner shall~~  
 26-61 ~~order the closure of the district or charter program on the campus~~  
 26-62 ~~or reconstitute the campus. In reconstituting the campus, a~~  
 26-63 ~~special campus intervention team shall be assembled for the purpose~~  
 26-64 ~~of deciding which educators may be retained at that campus. If an~~  
 26-65 ~~educator is not retained, the educator may be assigned to another~~  
 26-66 ~~position in the district.]~~

26-67           SECTION 3.17. Subchapter G, Chapter 39, Education Code, is  
 26-68 amended by adding Sections 39.1321, 39.1322, 39.1323, 39.1324,  
 26-69 39.1326, and 39.1327 to read as follows:

27-1 Sec. 39.1321. SANCTIONS FOR CHARTER SCHOOLS. (a)  
 27-2 Sanctions authorized under this chapter for a school district or  
 27-3 campus apply in the same manner to an open-enrollment charter  
 27-4 school.

27-5 (b) The commissioner shall adopt rules to implement  
 27-6 procedures to impose any sanction provision under this chapter as  
 27-7 those provisions relate to open-enrollment charter schools.

27-8 (c) In adopting rules under this section, the commissioner  
 27-9 shall require that the charter of an open-enrollment charter  
 27-10 school:

27-11 (1) be automatically revoked if the charter school is  
 27-12 ordered closed under this chapter; and

27-13 (2) be automatically modified to remove authorization  
 27-14 for an individual campus if the campus is ordered closed under this  
 27-15 chapter.

27-16 (d) If sanctions are imposed on an open-enrollment charter  
 27-17 school under the procedures provided by this chapter, a charter  
 27-18 school is not entitled to an additional hearing relating to the  
 27-19 modification, placement on probation, revocation, or denial of  
 27-20 renewal of a charter as provided by Subchapter D, Chapter 12.

27-21 Sec. 39.1322. TECHNICAL ASSISTANCE AND CAMPUS INTERVENTION  
 27-22 TEAMS. (a) If a campus is rated academically acceptable for the

27-23 current school year but would be rated as academically unacceptable  
 27-24 if performance standards to be used for the following school year  
 27-25 were applied to the current school year, the commissioner shall  
 27-26 select and assign a technical assistance team to assist the campus  
 27-27 in executing a school improvement plan and any other school  
 27-28 improvement strategies the commissioner determines appropriate.  
 27-29 The commissioner may waive the requirement to assign a technical  
 27-30 assistance team under this subsection if the improvement in  
 27-31 performance standards among all student groups, including special  
 27-32 populations, over the preceding three years indicates that the  
 27-33 campus is likely to be rated academically acceptable in the  
 27-34 following school year.

27-35 (b) If a campus has been identified as academically  
 27-36 unacceptable under Section 39.132, the commissioner shall appoint a  
 27-37 campus intervention team.

27-38 (c) To the extent practicable, the commissioner shall  
 27-39 select and assign the technical assistance team under Subsection  
 27-40 (a) or the campus intervention team under Subsection (b) before the  
 27-41 first day of instruction for the school year.

27-42 (d) The commissioner may determine when the services of a  
 27-43 technical assistance team or campus intervention team are no longer  
 27-44 needed at a campus under this section.

27-45 Sec. 39.1323. CAMPUS INTERVENTION TEAM PROCEDURES. (a) A  
 27-46 campus intervention team shall:

27-47 (1) conduct a comprehensive on-site evaluation of the  
 27-48 campus to determine the cause for the campus's low performance and  
 27-49 lack of progress;

27-50 (2) recommend actions, including reallocation of  
 27-51 resources and technical assistance, changes in school procedures or  
 27-52 operations, staff development for instructional and administrative  
 27-53 staff, intervention for individual administrators or teachers,  
 27-54 waivers from state statute or rule, or other actions the team  
 27-55 considers appropriate;

27-56 (3) assist in the development of a school improvement  
 27-57 plan for student achievement; and

27-58 (4) assist the commissioner in monitoring the progress  
 27-59 of the campus in implementing the school improvement plan for  
 27-60 improvement of student achievement.

27-61 (b) A campus intervention team assigned under Section  
 27-62 39.1322 to a campus shall conduct a comprehensive on-site needs  
 27-63 assessment of the campus to determine the causal factors resulting  
 27-64 in the campus's low performance and lack of progress. The team  
 27-65 shall use the following guidelines and procedures in conducting the  
 27-66 comprehensive needs assessment of the campus:

27-67 (1) an assessment of the staff to determine the  
 27-68 percentage of certified teachers who are teaching in their field,  
 27-69 the number of teachers with less than three years of experience, and

28-1 teacher turnover rates;  
 28-2 (2) compliance with the appropriate class-size rules  
 28-3 and number of class-size waivers received;  
 28-4 (3) an assessment of the quality, quantity, and  
 28-5 appropriateness of instructional materials, including the  
 28-6 availability of technology-based instructional materials;  
 28-7 (4) a report on the parental involvement strategies  
 28-8 and the effectiveness of the strategies;  
 28-9 (5) an assessment of the extent and quality of the  
 28-10 mentoring program provided for new teachers on the campus;  
 28-11 (6) an assessment of the type and quality of the  
 28-12 professional development provided to the staff;  
 28-13 (7) a demographic analysis of the student population,  
 28-14 including student demographics, at-risk populations, and special  
 28-15 education percentages;  
 28-16 (8) a report of disciplinary incidents and school  
 28-17 safety information;  
 28-18 (9) financial and accounting practices;  
 28-19 (10) an assessment of the appropriateness of the  
 28-20 curriculum and teaching strategies; and  
 28-21 (11) any other research-based data or information  
 28-22 obtained from a data collection process that would assist the  
 28-23 campus intervention team in:  
 28-24 (A) recommending an action under Subsection (c);  
 28-25 and  
 28-26 (B) executing a school improvement plan under  
 28-27 Subsection (d).  
 28-28 (c) On completing the evaluation under this section, the  
 28-29 campus intervention team shall recommend actions, including:  
 28-30 (1) reallocation of resources;  
 28-31 (2) technical assistance;  
 28-32 (3) changes in school procedures or operations;  
 28-33 (4) staff development for instructional and  
 28-34 administrative staff;  
 28-35 (5) intervention for individual administrators or  
 28-36 teachers;  
 28-37 (6) waivers from state statutes or rules; or  
 28-38 (7) other actions the campus intervention team  
 28-39 considers appropriate.  
 28-40 (d) In executing a school improvement plan developed under  
 28-41 Subsection (a)(3), the campus intervention team shall:  
 28-42 (1) assist the campus in implementing research-based  
 28-43 practices for curriculum development and classroom instruction,  
 28-44 including bilingual education and special education programs, if  
 28-45 appropriate, and financial management;  
 28-46 (2) provide research-based technical assistance,  
 28-47 including data analysis, academic deficiency identification,  
 28-48 intervention implementation, and budget analysis, to strengthen  
 28-49 and improve the instructional programs at the campus; and  
 28-50 (3) submit the school improvement plan to the  
 28-51 commissioner for approval.  
 28-52 (e) A campus intervention team appointed under Section  
 28-53 39.1322(b):  
 28-54 (1) shall continue to work with a campus until:  
 28-55 (A) the campus is rated academically acceptable  
 28-56 for a two-year period; or  
 28-57 (B) the campus is rated academically acceptable  
 28-58 for a one-year period and the commissioner determines that the  
 28-59 campus is operating and will continue to operate in a manner that  
 28-60 improves student achievement; and  
 28-61 (2) may continually update the school improvement  
 28-62 plan, with approval from the commissioner, to meet the needs of the  
 28-63 campus.  
 28-64 (f) Notwithstanding any other provision of this subchapter,  
 28-65 if the commissioner determines that a campus for which an  
 28-66 intervention is ordered under Section 39.1322(b) is not fully  
 28-67 implementing the campus intervention team's recommendations or  
 28-68 school improvement plan, the commissioner may order the  
 28-69 reconstitution of the campus.

29-1 Sec. 39.1324. MANDATORY SANCTIONS. (a) If a campus has  
 29-2 been identified as academically unacceptable for two consecutive  
 29-3 school years, including the current school year, the commissioner  
 29-4 shall order the reconstitution of the campus and assign a campus  
 29-5 intervention team. In reconstituting the campus, a campus  
 29-6 intervention team shall assist the campus in:

29-7 (1) developing a school improvement plan;  
 29-8 (2) obtaining approval of the plan from the  
 29-9 commissioner; and

29-10 (3) executing the plan on approval by the  
 29-11 commissioner.

29-12 (b) The campus intervention team shall decide which  
 29-13 educators may be retained at that campus. A principal who has been  
 29-14 employed by the campus in that capacity during the full two-year  
 29-15 period described by Subsection (a) may not be retained at that  
 29-16 campus. A teacher of a subject assessed by an assessment instrument  
 29-17 under Section 39.023 may be retained only if the campus  
 29-18 intervention team determines that a pattern exists of significant  
 29-19 academic improvement by students taught by the teacher. If an  
 29-20 educator is not retained, the educator may be assigned to another  
 29-21 position in the district.

29-22 (c) A campus subject to Subsection (a) shall implement the  
 29-23 school improvement plan as approved by the commissioner. The  
 29-24 commissioner may appoint a monitor, conservator, management team,  
 29-25 or a board of managers to the district to ensure and oversee the  
 29-26 implementation of the school improvement plan.

29-27 (d) Notwithstanding any other provision of this subchapter,  
 29-28 if the commissioner determines that a campus subject to Subsection  
 29-29 (a) is not fully implementing the school improvement plan, the  
 29-30 commissioner may pursue alternative management of the campus under  
 29-31 Section 39.1327 or may order closure of the campus.

29-32 (e) If a campus is considered an academically unacceptable  
 29-33 campus for the subsequent school year after the campus is  
 29-34 reconstituted under this section, the commissioner shall review the  
 29-35 progress of the campus and may order closure of the campus or pursue  
 29-36 alternative management under Section 39.1327.

29-37 (f) If a campus is considered academically unacceptable for  
 29-38 two consecutive school years after the campus is reconstituted  
 29-39 under Subsection (a), the commissioner shall order closure of the  
 29-40 campus or pursue alternative management under Section 39.1327.

29-41 Sec. 39.1326. TRANSITIONAL SANCTIONS PROVISIONS. For the  
 29-42 2006-2007 school year, the commissioner shall assign a campus  
 29-43 intervention team or a technical assistance team to a campus under  
 29-44 Section 39.1322 on the basis of academic performance ratings for  
 29-45 the 2005-2006 school year. The commissioner may impose a sanction  
 29-46 on a campus under Section 39.1323(f) or 39.1324(a) on the basis of  
 29-47 academic performance ratings for the 2005-2006 school year and the  
 29-48 2006-2007 school year. A sanction ordered by the commissioner  
 29-49 before July 1, 2006, shall remain in effect for the 2006-2007 school  
 29-50 year. The commissioner may allow a principal subject to Section  
 29-51 39.1324(b) to remain at a campus for the 2006-2007 school year.  
 29-52 This section expires September 1, 2008.

29-53 Sec. 39.1327. MANAGEMENT OF CERTAIN ACADEMICALLY  
 29-54 UNACCEPTABLE CAMPUSES. (a) A campus may be subject to this section  
 29-55 if the campus has been identified as academically unacceptable  
 29-56 under Section 39.132 and the commissioner orders alternative  
 29-57 management under Section 39.1324(d), (e), or (f).

29-58 (b) The commissioner shall solicit proposals from qualified  
 29-59 nonprofit entities to assume management of a campus subject to this  
 29-60 section.

29-61 (c) If the commissioner determines that the basis for  
 29-62 identifying a campus as academically unacceptable is limited to a  
 29-63 specific condition that may be remedied with targeted technical  
 29-64 assistance, the commissioner may:

29-65 (1) provide the campus a one-year waiver under this  
 29-66 section; and

29-67 (2) require the district to contract for the  
 29-68 appropriate technical assistance.

29-69 (d) The commissioner may annually solicit proposals under

30-1 this section for the management of a campus subject to this section.  
 30-2 The commissioner shall notify a qualified nonprofit entity that has  
 30-3 been approved as a provider under this section. The district must  
 30-4 execute a contract with an approved provider and relinquish control  
 30-5 of the campus before January 1 of the school year.

30-6 (e) To qualify for consideration as a managing entity under  
 30-7 this section, the entity must submit a proposal that provides  
 30-8 information relating to the entity's management and leadership team  
 30-9 that will participate in management of the campus under  
 30-10 consideration, including information relating to individuals that  
 30-11 have:

30-12 (1) documented success in whole school interventions  
 30-13 that increased the educational and performance levels of students  
 30-14 in academically unacceptable campuses;

30-15 (2) a proven record of effectiveness with programs  
 30-16 assisting low-performing students;

30-17 (3) a proven ability to apply research-based school  
 30-18 intervention strategies;

30-19 (4) a proven record of financial ability to perform  
 30-20 under the management contract; and

30-21 (5) any other experience or qualifications the  
 30-22 commissioner determines necessary.

30-23 (f) In selecting a managing entity under this section, the  
 30-24 commissioner shall give preference to a nonprofit entity that:

30-25 (1) meets any qualifications under this section; and

30-26 (2) has documented success in educating students from  
 30-27 similar demographic groups and with similar educational needs as  
 30-28 the students who attend the campus that is to be operated by a  
 30-29 managing entity under this section.

30-30 (g) The school district may negotiate the term of a  
 30-31 management contract for not more than five years with an option to  
 30-32 renew the contract. The management contract must include a  
 30-33 provision describing the district's responsibilities in supporting  
 30-34 the operation of the campus. The commissioner shall approve the  
 30-35 contract before the contract is executed and, as appropriate, may  
 30-36 require the district, as a term of the contract, to support the  
 30-37 campus in the same manner as the district was required to support  
 30-38 the campus before the execution of the management contract.

30-39 (h) A management contract under this section shall include  
 30-40 provisions approved by the commissioner that require the managing  
 30-41 entity to demonstrate improvement in campus performance, including  
 30-42 negotiated performance measures. The performance measures must be  
 30-43 consistent with the priorities of this chapter. The commissioner  
 30-44 shall evaluate a managing entity's performance on the first and  
 30-45 second anniversaries of the date of the management contract. If the  
 30-46 evaluation fails to demonstrate improvement as negotiated under the  
 30-47 contract by the first anniversary of the date of the management  
 30-48 contract, the district may terminate the management contract, with  
 30-49 the commissioner's consent, for nonperformance or breach of  
 30-50 contract and select another provider from an approved list provided  
 30-51 by the commissioner. If the evaluation fails to demonstrate  
 30-52 significant improvement, as determined by the commissioner, by the  
 30-53 second anniversary of the date of the management contract, the  
 30-54 district shall terminate the management contract and select another  
 30-55 provider from an approved list provided by the commissioner or  
 30-56 resume operation of the campus if approved by the commissioner. If  
 30-57 the commissioner approves the district's operation of the campus,  
 30-58 the commissioner shall assign a technical assistance team to assist  
 30-59 the campus.

30-60 (i) Notwithstanding any other provision of this code, the  
 30-61 funding for a campus operated by a managing entity must be not less  
 30-62 than the funding of the other campuses in the district on a per  
 30-63 student basis so that the managing entity receives at least the same  
 30-64 funding the campus would otherwise have received.

30-65 (j) Each campus operated by a managing entity under this  
 30-66 section is subject to this chapter in the same manner as any other  
 30-67 campus in the district.

30-68 (k) The commissioner may adopt rules necessary to implement  
 30-69 this section.

31-1 (1) With respect to the management of a campus under this  
 31-2 section:

31-3 (1) a managing entity is considered to be a  
 31-4 governmental body for purposes of Chapters 551 and 552, Government  
 31-5 Code; and

31-6 (2) any requirement in Chapter 551 or 552, Government  
 31-7 Code, that applies to a school district or the board of trustees of  
 31-8 a school district applies to a managing entity.

31-9 SECTION 3.18. Subchapter G, Chapter 39, Education Code, is  
 31-10 amended by adding Section 39.1331 to read as follows:

31-11 Sec. 39.1331. ACQUISITION OF PROFESSIONAL SERVICES. In  
 31-12 addition to other sanctions authorized under Sections 39.131 and  
 31-13 39.132, the commissioner may order a school district or campus to  
 31-14 acquire professional services at the expense of the district or  
 31-15 campus to address the applicable financial, assessment, data  
 31-16 quality, program, or governance deficiency. The commissioner's  
 31-17 order may require the district or campus to:

31-18 (1) select an external auditor, data quality expert,  
 31-19 professional authorized to monitor district assessment instrument  
 31-20 administration, or curriculum or program expert; or

31-21 (2) provide for the appropriate training of district  
 31-22 staff or board of trustees members in the case of a district, or  
 31-23 campus staff, in the case of a campus.

31-24 SECTION 3.19. Section 39.134, Education Code, is amended to  
 31-25 read as follows:

31-26 Sec. 39.134. COSTS PAID BY DISTRICT. The costs of providing  
 31-27 a monitor, conservator, management team, [~~or special~~] campus  
 31-28 intervention team, technical assistance team, managing entity  
 31-29 under Section 39.1327, or service provider under Section 39.1331  
 31-30 shall be paid by the district. If the district fails or refuses to  
 31-31 pay the costs in a timely manner, the commissioner may:

31-32 (1) pay the costs using amounts withheld from any  
 31-33 funds to which the district is otherwise entitled; or

31-34 (2) recover the amount of the costs in the manner  
 31-35 provided for recovery of an overallocation of state funds under  
 31-36 Section 42.258.

31-37 SECTION 3.20. Chapter 39, Education Code, is amended by  
 31-38 adding Subchapter K to read as follows:

31-39 SUBCHAPTER K. PROCEDURES FOR CHALLENGE OF ACCOUNTABILITY  
 31-40 RATING OR SANCTION

31-41 Sec. 39.301. REVIEW BY COMMISSIONER: ACCOUNTABILITY  
 31-42 RATINGS. (a) The commissioner by rule shall provide a process for  
 31-43 a school district or open-enrollment charter school to challenge an  
 31-44 agency decision made under this chapter relating to an academic or  
 31-45 financial accountability rating that affects the district or  
 31-46 school.

31-47 (b) The rules under Subsection (a) must provide for the  
 31-48 commissioner to appoint a committee to make recommendations to the  
 31-49 commissioner on a challenge made to an agency decision relating to  
 31-50 an academic or financial accountability rating. The commissioner  
 31-51 may not appoint an agency employee as a member of the committee.

31-52 (c) The commissioner may limit a challenge under this  
 31-53 section to a written submission of any issue identified by the  
 31-54 school district or open-enrollment charter school challenging the  
 31-55 agency decision.

31-56 (d) The commissioner shall make a final decision under this  
 31-57 section after considering the recommendation of the committee  
 31-58 described by Subsection (b). The commissioner's decision may not  
 31-59 be appealed under Section 7.057 or other law.

31-60 (e) A school district or open-enrollment charter school may  
 31-61 not challenge an agency decision relating to an academic or  
 31-62 financial accountability rating under this chapter in another  
 31-63 proceeding if the district or school has had an opportunity to  
 31-64 challenge the decision under this section.

31-65 Sec. 39.302. REVIEW BY STATE OFFICE OF ADMINISTRATIVE  
 31-66 HEARINGS: SANCTIONS. (a) A school district or open-enrollment  
 31-67 charter school that intends to challenge a decision by the  
 31-68 commissioner under this chapter to close the district or a district  
 31-69 campus or the charter school or to pursue alternative management of

32-1 a district campus or the charter school must appeal the decision  
32-2 under the procedures provided for a contested case under Chapter  
32-3 2001, Government Code.

32-4 (b) A challenge to a decision under this section is under  
32-5 the substantial evidence rule as provided by Subchapter G, Chapter  
32-6 2001, Government Code.

32-7 (c) Notwithstanding other law:

32-8 (1) the State Office of Administrative Hearings shall  
32-9 provide an expedited review of a challenge under this section;

32-10 (2) the administrative law judge shall issue a final  
32-11 order not later than the 30th day after the date on which the  
32-12 hearing is finally closed; and

32-13 (3) the decision of the administrative law judge is  
32-14 final and may not be appealed.

32-15 SECTION 3.21. (a) Not later than the 2007-2008 school year,  
32-16 the Texas Education Agency shall collect information concerning the  
32-17 measure of progress toward preparation for postsecondary success  
32-18 for purposes of Section 39.051(b)(13), Education Code, as added by  
32-19 this Act.

32-20 (b) Not later than the 2008-2009 school year, the Texas  
32-21 Education Agency shall include, in evaluating the performance of  
32-22 school districts, campuses, and open-enrollment charter schools  
32-23 under Subchapter D, Chapter 39, Education Code, the measure of  
32-24 progress toward preparation for postsecondary success under  
32-25 Section 39.051(b)(13), Education Code, as added by this Act.

32-26 SECTION 3.22. (a) The lieutenant governor and the speaker  
32-27 of the house of representatives shall create a joint interim  
32-28 committee to examine the impact of public school assessment  
32-29 instruments on the quality of instruction, teacher morale, and  
32-30 students' motivation to learn.

32-31 (b) The committee shall investigate in the interim study:

32-32 (1) the usefulness of the various tests in elementary  
32-33 and secondary schools, including the assessment instruments  
32-34 administered under Section 39.023, Education Code, as predictors or  
32-35 indicators of student success;

32-36 (2) the impact of testing on the amount of  
32-37 instructional time and on the content of instruction offered at the  
32-38 elementary and secondary school levels;

32-39 (3) the amount of classroom time required to prepare  
32-40 for and administer multiple tests in public schools;

32-41 (4) whether teachers would benefit from a reduction in  
32-42 the paperwork requirements associated with mandatory testing in  
32-43 public schools;

32-44 (5) whether there is a need to adjust the timing of the  
32-45 tests' administration in the public schools to optimize student  
32-46 success; and

32-47 (6) the extent to which teachers and students might  
32-48 benefit from a reduction or consolidation of the current number of  
32-49 mandatory tests administered at the elementary and secondary school  
32-50 levels.

32-51 (c) The general rules and policies for joint interim  
32-52 committees adopted by the 79th Legislature shall govern the  
32-53 proceedings and operations of the committee.

32-54 (d) The committee shall submit a full report, including  
32-55 findings and recommendations, to the Texas Legislature not later  
32-56 than September 1, 2007.

32-57 (e) This section expires October 1, 2007.

#### 32-58 ARTICLE 4. EDUCATION EMPLOYEES

32-59 SECTION 4.01. Subchapter E, Chapter 11, Education Code, is  
32-60 amended by adding Section 11.203 to read as follows:

32-61 Sec. 11.203. SCHOOL LEADERSHIP PILOT PROGRAM FOR  
32-62 PRINCIPALS. (a) The agency shall develop and implement a school  
32-63 leadership pilot program for principals in cooperation with a  
32-64 nonprofit corporation that has substantial experience in  
32-65 developing best practices to improve leadership skills, student  
32-66 achievement, student graduation rates, and teacher retention.

32-67 (b) The agency shall consult business schools, departments,  
32-68 or programs at institutions of higher education to develop program  
32-69 course work that focuses on management and business training.

33-1 (c) A principal or a person interested in becoming a  
 33-2 principal may apply for participation in the program, in a form and  
 33-3 manner determined by the commissioner.

33-4 (d) A principal of a campus rated academically  
 33-5 unacceptable, as well as any person employed to replace that  
 33-6 principal, shall participate in the program and complete the  
 33-7 program requirements not later than a date determined by the  
 33-8 commissioner.

33-9 (e) To pay the costs of administering the program, the  
 33-10 commissioner may use funds appropriated to the agency and available  
 33-11 for that purpose.

33-12 (e-1) For the state fiscal biennium beginning September 1,  
 33-13 2005, the amount the commissioner may use to finance activities  
 33-14 under this section may not exceed \$3.6 million. This subsection  
 33-15 expires August 31, 2007.

33-16 (f) To implement and administer the program, the  
 33-17 commissioner may accept grants, gifts, and donations from public  
 33-18 and private entities.

33-19 (g) The commissioner may adopt rules necessary to  
 33-20 administer this section.

33-21 (h) During the first semester of the 2008-2009 school year,  
 33-22 the agency shall evaluate the effectiveness of the program in  
 33-23 developing and enhancing the ability of principals participating in  
 33-24 the program to provide school leadership and improve student  
 33-25 achievement and graduation rates and teacher retention. Not later  
 33-26 than January 1, 2009, the agency shall submit a report explaining  
 33-27 the results of the study to the governor, lieutenant governor,  
 33-28 speaker of the house of representatives, and the presiding officers  
 33-29 of the standing committees of each house of the legislature with  
 33-30 primary jurisdiction over public education.

33-31 (i) This section expires September 1, 2010.

33-32 SECTION 4.02. Subchapter D, Chapter 12, Education Code, is  
 33-33 amended by adding Section 12.133 to read as follows:

33-34 Sec. 12.133. WAGE INCREASE FOR CERTAIN PROFESSIONAL STAFF.  
 33-35 (a) This section applies to a charter holder that on January 1,  
 33-36 2006, operated an open-enrollment charter school.

33-37 (b) Each school year, using state funds received by the  
 33-38 charter holder for that purpose under Subsection (d), a charter  
 33-39 holder that participated in the program under Chapter 1579,  
 33-40 Insurance Code, for the 2005-2006 school year shall provide  
 33-41 employees of the charter holder, other than administrators,  
 33-42 compensation in the form of annual salaries, incentives, or other  
 33-43 compensation determined appropriate by the charter holder that  
 33-44 results in an average compensation increase for classroom teachers,  
 33-45 full-time librarians, full-time counselors, and full-time school  
 33-46 nurses who are employed by the charter holder and who would be  
 33-47 entitled to a minimum salary under Section 21.402 if employed by a  
 33-48 school district, in an amount at least equal to \$2,500.

33-49 (b-1) For the 2006-2007 school year, using state funds  
 33-50 received by the charter holder for that purpose under Subsection  
 33-51 (d-1), a charter holder that participated in the program under  
 33-52 Chapter 1579, Insurance Code, for the 2005-2006 school year shall  
 33-53 provide employees of the charter holder, other than administrators,  
 33-54 compensation in the form of annual salaries, incentives, or other  
 33-55 compensation determined appropriate by the charter holder that  
 33-56 results in average compensation increases as follows:

33-57 (1) for full-time employees other than employees who  
 33-58 would be entitled to a minimum salary under Section 21.402 if  
 33-59 employed by a school district, an average increase at least equal to  
 33-60 \$500; and

33-61 (2) for part-time employees, an average increase at  
 33-62 least equal to \$250.

33-63 (c) Each school year, using state funds received by the  
 33-64 charter holder for that purpose under Subsection (e), a charter  
 33-65 holder that did not participate in the program under Chapter 1579,  
 33-66 Insurance Code, for the 2005-2006 school year shall provide  
 33-67 employees of the charter holder, other than administrators,  
 33-68 compensation in the form of annual salaries, incentives, or other  
 33-69 compensation determined appropriate by the charter holder that

34-1 results in an average compensation increase for classroom teachers,  
 34-2 full-time librarians, full-time counselors, and full-time school  
 34-3 nurses who are employed by the charter holder and who would be  
 34-4 entitled to a minimum salary under Section 21.402 if employed by a  
 34-5 school district, in an amount at least equal to \$2,000.

34-6 (d) Each school year, in addition to any amounts to which a  
 34-7 charter holder is entitled under this chapter, a charter holder  
 34-8 that participated in the program under Chapter 1579, Insurance  
 34-9 Code, for the 2005-2006 school year is entitled to state aid in an  
 34-10 amount, as determined by the commissioner, equal to the product of  
 34-11 \$2,500 multiplied by the number of classroom teachers, full-time  
 34-12 librarians, full-time counselors, and full-time school nurses  
 34-13 employed by the charter holder at an open-enrollment charter  
 34-14 school.

34-15 (d-1) For the 2006-2007 school year, in addition to any  
 34-16 amounts to which a charter holder is entitled under this chapter, a  
 34-17 charter holder that participated in the program under Chapter 1579,  
 34-18 Insurance Code, for the 2005-2006 school year is entitled to state  
 34-19 aid in an amount, as determined by the commissioner, equal to the  
 34-20 sum of:

34-21 (1) the product of \$500 multiplied by the number of  
 34-22 full-time employees other than employees who would be entitled to a  
 34-23 minimum salary under Section 21.402 if employed by a school  
 34-24 district; and

34-25 (2) the product of \$250 multiplied by the number of  
 34-26 part-time employees.

34-27 (e) Each school year, in addition to any amounts to which a  
 34-28 charter holder is entitled under this chapter, a charter holder  
 34-29 that did not participate in the program under Chapter 1579,  
 34-30 Insurance Code, for the 2005-2006 school year is entitled to state  
 34-31 aid in an amount, as determined by the commissioner, equal to the  
 34-32 product of \$2,000 multiplied by the number of classroom teachers,  
 34-33 full-time librarians, full-time counselors, and full-time school  
 34-34 nurses employed by the charter holder at an open-enrollment charter  
 34-35 school.

34-36 (e-1) Subsections (b-1) and (d-1) and this subsection  
 34-37 expire September 1, 2007.

34-38 (f) A payment under this section is in addition to wages the  
 34-39 charter holder would otherwise pay the employee during the school  
 34-40 year.

34-41 SECTION 4.03. Section 19.007, Education Code, is amended by  
 34-42 adding Subsection (f) to read as follows:

34-43 (f) In addition to other amounts received by the district  
 34-44 under this section, the district is entitled to state aid in an  
 34-45 amount equal to the product of \$2,000 multiplied by the number of  
 34-46 classroom teachers, full-time librarians, full-time counselors  
 34-47 certified under Subchapter B, Chapter 21, and full-time school  
 34-48 nurses who are employed by the district and who would be entitled to  
 34-49 a minimum salary under Section 21.402 if employed by a school  
 34-50 district operating under Chapter 11.

34-51 SECTION 4.04. Section 19.009, Education Code, is amended by  
 34-52 adding Subsection (d-1) to read as follows:

34-53 (d-1) Each school year, the district shall pay an amount at  
 34-54 least equal to \$2,000 to each classroom teacher, full-time  
 34-55 librarian, full-time counselor certified under Subchapter B,  
 34-56 Chapter 21, and full-time school nurse who is employed by the  
 34-57 district and who would be entitled to a minimum salary under Section  
 34-58 21.402 if employed by a school district operating under Chapter 11.  
 34-59 A payment under this section is in addition to wages the district  
 34-60 would otherwise pay the employee during the school year.

34-61 SECTION 4.05. Section 21.402, Education Code, is amended by  
 34-62 amending Subsections (a), (c), and (d) and adding Subsections  
 34-63 (a-1), (c-1), and (c-2) to read as follows:

34-64 (a) Except as provided by Subsection (a-1), (d), (e), or  
 34-65 (f), a school district must pay each classroom teacher, full-time  
 34-66 librarian, full-time counselor certified under Subchapter B, or  
 34-67 full-time school nurse not less than the minimum monthly salary,  
 34-68 based on the employee's level of experience in addition to other  
 34-69 factors, as determined by commissioner rule, determined by the

35-1 following formula:

35-2  $MS = SF \times FS$

35-3 where:

35-4 "MS" is the minimum monthly salary;

35-5 "SF" is the applicable salary factor specified by Subsection  
35-6 (c); and

35-7 "FS" is the amount, as determined by the commissioner under  
35-8 Subsection (b), of state and local funds per weighted student,  
35-9 including funds provided under Section 42.2516(b)(1)(B), but not  
35-10 funds provided under Section 42.2516(b)(1)(A), (b)(1)(C), (b)(2),  
35-11 or (b)(3), available to a district eligible to receive state  
35-12 assistance under Section 42.302 with a maintenance and operations  
35-13 [an enrichment] tax rate per \$100 of taxable value equal to the  
35-14 product of the state compression percentage, as determined under  
35-15 Section 42.2516, multiplied by \$1.50 [~~as defined by Section~~  
35-16 ~~42.302, equal to the maximum rate authorized under Section~~  
35-17 ~~42.303], except that the amount of state and local funds per~~  
35-18 weighted student does not include the amount attributable to the  
35-19 increase in the guaranteed level made by Chapter 1187 [H.B. No.  
35-20 ~~3343], Acts of the 77th Legislature, Regular Session, 2001.~~

35-21 (a-1) A school district is not required to pay the minimum  
35-22 salary prescribed by Subsection (a) to an educator who receives a  
35-23 service retirement annuity under Chapter 824, Government Code.

35-24 (c) The salary factors per step are as follows:

35-25	Years										
35-26	Experience	0	1	2	3	4					
35-27	Salary										
35-28	Factor	<u>.6226</u>	<del>[.5656]</del>	<u>.6360</u>	<del>[.5790]</del>	<u>.6492</u>	<del>[.5924]</del>	<u>.6627</u>	<del>[.6058]</del>	<u>.6909</u>	<del>[.6340]</del>
35-29	Years										
35-30	Experience	5	6	7	8	9					
35-31	Salary										
35-32	Factor	<u>.7192</u>	<del>[.6623]</del>	<u>.7474</u>	<del>[.6906]</del>	<u>.7737</u>	<del>[.7168]</del>	<u>.7985</u>	<del>[.7416]</del>	<u>.8220</u>	<del>[.7651]</del>
35-33	Years										
35-34	Experience	10	11	12	13	14					
35-35	Salary										
35-36	Factor	<u>.8441</u>	<del>[.7872]</del>	<u>.8650</u>	<del>[.8082]</del>	<u>.8851</u>	<del>[.8281]</del>	<u>.9035</u>	<del>[.8467]</del>	<u>.9213</u>	<del>[.8645]</del>
35-37	Years										
35-38	Experience	15	16	17	18	19					
35-39	Salary										
35-40	Factor	<u>.9380</u>	<del>[.8811]</del>	<u>.9539</u>	<del>[.8970]</del>	<u>.9687</u>	<del>[.9119]</del>	<u>.9828</u>	<del>[.9260]</del>	<u>.9963</u>	<del>[.9394]</del>
35-41	Years	20 and									
35-42	Experience	over									
35-43	Salary										
35-44	Factor	<u>1.009</u>	<del>[.9529]</del>								

35-45 (c-1) Notwithstanding Subsection (a), for the 2006-2007  
35-46 school year, a classroom teacher, full-time librarian, full-time  
35-47 counselor certified under Subchapter B, or full-time school nurse  
35-48 is entitled to a monthly salary that is at least equal to the sum of:

35-49 (1) the monthly salary the employee would have  
35-50 received for the 2006-2007 school year under the district's salary  
35-51 schedule for the 2005-2006 school year, if that schedule had been in  
35-52 effect for the 2006-2007 school year, including any local  
35-53 supplement and any money representing a career ladder supplement  
35-54 the employee would have received in the 2006-2007 school year; and

35-55 (2) \$250.

35-56 (c-2) Subsection (c-1) and this subsection expire September  
35-57 1, 2007.

35-58 (d) A classroom teacher, full-time librarian, full-time  
35-59 counselor certified under Subchapter B, or full-time school nurse  
35-60 employed by a school district in the 2006-2007 [2000-2001] school  
35-61 year is, as long as the employee is employed by the same district,  
35-62 entitled to a salary that is at least equal to the salary the  
35-63 employee received for the 2006-2007 [2000-2001] school year.

35-64 SECTION 4.06. Subchapter I, Chapter 21, Education Code, is

36-1 amended by adding Section 21.415 to read as follows:

36-2 Sec. 21.415. EMPLOYMENT CONTRACTS. (a) A school district  
 36-3 shall provide in employment contracts that qualifying employees may  
 36-4 receive an incentive payment under an awards program established  
 36-5 under Subchapter N or O if the district participates in the program.

36-6 (b) The district shall indicate that any incentive payment  
 36-7 distributed is considered a payment for performance and not an  
 36-8 entitlement as part of an employee's salary.

36-9 SECTION 4.07. Subchapter J, Chapter 21, Education Code, is  
 36-10 amended by adding Section 21.458 to read as follows:

36-11 Sec. 21.458. MENTORS. (a) Each school district may assign  
 36-12 a mentor teacher to each classroom teacher who has less than two  
 36-13 years of teaching experience. A teacher assigned as a mentor must:

36-14 (1) teach in the same school;  
 36-15 (2) to the extent practicable, teach the same subject  
 36-16 or grade level, as applicable; and

36-17 (3) meet the qualifications prescribed by  
 36-18 commissioner rules adopted under Subsection (b).

36-19 (b) The commissioner shall adopt rules necessary to  
 36-20 administer this section, including rules concerning the duties and  
 36-21 qualifications of a teacher who serves as a mentor. The rules  
 36-22 concerning qualifications must require that to serve as a mentor a  
 36-23 teacher must:

36-24 (1) complete a research-based mentor and induction  
 36-25 training program approved by the commissioner;

36-26 (2) complete a mentor training program provided by the  
 36-27 district; and

36-28 (3) have at least three complete years of teaching  
 36-29 experience with a superior record of assisting students, as a  
 36-30 whole, in achieving improvement in student performance.

36-31 (c) From the funds appropriated to the agency for purposes  
 36-32 of this section, the commissioner shall adopt rules and provide  
 36-33 funding to school districts that assign mentor teachers under this  
 36-34 section. Funding provided to districts under this section may be  
 36-35 used only for providing:

36-36 (1) mentor teacher stipends;

36-37 (2) scheduled time for mentor teachers to provide  
 36-38 mentoring to assigned classroom teachers; and

36-39 (3) mentoring support through providers of mentor  
 36-40 training.

36-41 (d) In adopting rules under Subsection (c), the  
 36-42 commissioner shall rely on research-based mentoring programs that,  
 36-43 through external evaluation, have demonstrated success.

36-44 SECTION 4.08. Chapter 21, Education Code, is amended by  
 36-45 adding Subchapters N and O to read as follows:

36-46 SUBCHAPTER N. AWARDS FOR STUDENT ACHIEVEMENT PROGRAM

36-47 Sec. 21.651. DEFINITION. In this subchapter, "program"  
 36-48 means the awards for student achievement program.

36-49 Sec. 21.652. ESTABLISHMENT OF PROGRAM. (a) The  
 36-50 commissioner by rule shall:

36-51 (1) establish an awards for student achievement  
 36-52 program under which an eligible campus may receive a grant from the  
 36-53 agency in the manner provided by this subchapter; and

36-54 (2) adopt program guidelines in accordance with this  
 36-55 subchapter for a campus to follow in developing a campus incentive  
 36-56 plan under Section 21.654.

36-57 (b) In adopting rules under this section, the commissioner  
 36-58 shall include rules governing eligibility for and participation by  
 36-59 an open-enrollment charter school in the program.

36-60 Sec. 21.653. CAMPUS ELIGIBILITY. (a) Except as provided by  
 36-61 Subsection (b), a campus is eligible to apply for and may receive a  
 36-62 program grant if the campus:

36-63 (1) is ranked by the agency in the top half of this  
 36-64 state's elementary school campuses, middle or junior high school  
 36-65 campuses, high school campuses, or campuses for students of all  
 36-66 grade levels, as applicable, in the percentage of educationally  
 36-67 disadvantaged students enrolled at the campus; and

36-68 (2) is rated exemplary or recognized under Section  
 36-69 39.072 or ranked in the top quartile of campuses in comparable

37-1 improvement, as defined by Section 39.051(c), in mathematics or  
 37-2 reading.

37-3 (b) This subsection applies only to a registered  
 37-4 alternative education campus that has a student enrollment of at  
 37-5 least 30 students and is rated under alternative education  
 37-6 accountability procedures. A campus to which this subsection  
 37-7 applies is eligible to apply for and may receive a program grant if  
 37-8 the campus is ranked by the agency in the top third of elementary  
 37-9 school campuses, middle or junior high school campuses, high school  
 37-10 campuses, or campuses for students of all grade levels, as  
 37-11 applicable, in the percentage of educationally disadvantaged  
 37-12 students enrolled at the campus who perform successfully, as  
 37-13 determined under Section 39.024, on assessment instruments  
 37-14 administered under Section 39.023.

37-15 Sec. 21.654. CAMPUS INCENTIVE PLAN. (a) A campus-level  
 37-16 decision-making body, such as the campus-level planning and  
 37-17 decision-making committee established under Subchapter F, Chapter  
 37-18 11, for each eligible campus that intends to participate in the  
 37-19 program shall develop a campus incentive plan for the campus that:

37-20 (1) is designed to reward teachers who have a positive  
 37-21 impact on improving student achievement;

37-22 (2) meets all program guidelines adopted by the  
 37-23 commissioner under Section 21.652; and

37-24 (3) describes how grant funds will be distributed.

37-25 (b) A district-level committee, such as the district-level  
 37-26 planning and decision-making committee established under  
 37-27 Subchapter F, Chapter 11:

37-28 (1) must approve the campus incentive plan developed  
 37-29 under Subsection (a) before the plan is submitted to the agency; and

37-30 (2) shall approve the plan if the district-level  
 37-31 committee determines that the plan meets program guidelines adopted  
 37-32 by the commissioner under Section 21.652.

37-33 (c) A school district shall, on behalf of an eligible  
 37-34 campus, submit a campus incentive plan to the agency for approval.  
 37-35 The plan must be submitted together with:

37-36 (1) evidence of significant classroom teacher  
 37-37 involvement in the development of the plan presented through the  
 37-38 campus-level decision-making body's meeting attendance records or  
 37-39 minutes or other appropriate means;

37-40 (2) letters from at least three classroom teachers  
 37-41 assigned to the eligible campus describing the teachers' support  
 37-42 for and involvement in developing the plan; and

37-43 (3) evidence that the plan:  
 37-44 (A) has been made available for public viewing;

37-45 and

37-46 (B) has been presented to the public at a  
 37-47 regularly scheduled board of trustees meeting or will be presented  
 37-48 at a regularly scheduled board meeting on a date specified, as  
 37-49 applicable.

37-50 (d) The agency may approve only a campus incentive plan that  
 37-51 meets program guidelines adopted by the commissioner under Section  
 37-52 21.652 and satisfies this section. The agency may negotiate with a  
 37-53 school district to ensure that activities proposed in the campus  
 37-54 incentive plan the district submits meet program guidelines.

37-55 Sec. 21.655. AMOUNT OF PROGRAM GRANT AWARD. (a) Each  
 37-56 eligible campus whose campus incentive plan is approved by the  
 37-57 agency under Section 21.654 is entitled to a grant award in an  
 37-58 amount determined by the commissioner.

37-59 (b) Grants from funds appropriated for the program shall be  
 37-60 awarded beginning with the 2006-2007 school year and may not exceed  
 37-61 \$98 million in the 2006-2007 school year except as expressly  
 37-62 authorized by the General Appropriations Act or other law. This  
 37-63 subsection expires September 1, 2007.

37-64 Sec. 21.656. INCENTIVE PAYMENTS TO CLASSROOM TEACHERS. (a)  
 37-65 An eligible campus must use 75 percent of a grant award received  
 37-66 under Section 21.655 to provide incentive payments to classroom  
 37-67 teachers assigned to the campus. To the extent practicable, the  
 37-68 campus shall pay a classroom teacher an incentive payment in an  
 37-69 amount of not less than \$3,000 or more than \$10,000.

38-1 (b) In distributing incentive payments to classroom  
 38-2 teachers under this section, an eligible campus:

38-3 (1) may distribute an incentive payment only to a  
 38-4 classroom teacher who:

38-5 (A) demonstrates success in improving student  
 38-6 achievement using objective, quantifiable measures, such as local  
 38-7 benchmarking systems, portfolio assessments, end-of-course  
 38-8 assessments, and value-added assessments; and

38-9 (B) successfully collaborates with other faculty  
 38-10 and with staff in a manner that contributes to improving overall  
 38-11 student achievement at the campus; and

38-12 (2) may consider a classroom teacher's:

38-13 (A) assignment to teach a subject that:

38-14 (i) has been designated by the commissioner  
 38-15 as a subject historically experiencing a critical shortage of  
 38-16 teachers or a high teacher turnover rate; or

38-17 (ii) is a subject for which the district in  
 38-18 which the campus is located has a shortage of teachers; or

38-19 (B) demonstration of ongoing initiative,  
 38-20 commitment, professionalism, and involvement in an activity that  
 38-21 directly results in improved student achievement, including  
 38-22 working with students outside of assigned class hours, creating a  
 38-23 program that involves parents, and personalizing the learning  
 38-24 environment for each student.

38-25 Sec. 21.657. DISTRIBUTION OF OTHER PROGRAM FUNDS. (a) An  
 38-26 eligible campus must use 25 percent of a grant award received under  
 38-27 Section 21.655 to provide for:

38-28 (1) incentive payments to campus employees other than  
 38-29 classroom teachers, such as principals, assistant principals,  
 38-30 teachers who are not eligible for an incentive payment under  
 38-31 Section 21.656, counselors, speech therapists, instructional  
 38-32 coaches, teacher's aides, nurses, librarians, members of the  
 38-33 custodial staff, or other campus employees who have contributed to  
 38-34 improved student achievement;

38-35 (2) professional development for classroom teachers  
 38-36 who:

38-37 (A) do not receive an incentive payment under  
 38-38 Section 21.656; and

38-39 (B) would benefit from professional development  
 38-40 to develop or enhance skills and behaviors described under Section  
 38-41 21.656(b);

38-42 (3) reimbursement or funding for a professional  
 38-43 development activity that directly contributes to improved  
 38-44 classroom instruction and student achievement;

38-45 (4) signing bonuses for classroom teachers new to the  
 38-46 campus who are teaching subjects that have been designated by the  
 38-47 commissioner as historically experiencing a critical shortage of  
 38-48 teachers;

38-49 (5) a teacher mentoring program that meets the  
 38-50 requirements of Section 21.458;

38-51 (6) an activity that supports new teacher induction  
 38-52 programs, including:

38-53 (A) common planning time and collaboration;

38-54 (B) a professional development activity; and

38-55 (C) standards-based evaluations;

38-56 (7) an activity that supports common planning time and  
 38-57 curriculum development;

38-58 (8) a program that has been proven to recruit and  
 38-59 retain highly effective teachers;

38-60 (9) an activity that creates or furthers the goals of  
 38-61 an incentive system designed to improve student achievement;

38-62 (10) stipends for teachers who participate in an  
 38-63 after-school or Saturday program that directly contributes to  
 38-64 improved classroom instruction and student achievement;

38-65 (11) stipends for teachers who are certified under  
 38-66 Subchapter B in the main subject area in which they teach;

38-67 (12) stipends for teachers who hold a postgraduate  
 38-68 degree;

38-69 (13) additional funding for feeder campuses that,

39-1 because they are not assigned performance ratings under Chapter 39,  
 39-2 do not qualify to participate in the program, such as campuses that  
 39-3 serve kindergarten through grade two, to implement an activity  
 39-4 described by this section; and

39-5 (14) any other program that directly contributes to  
 39-6 improved student achievement.

39-7 (b) A campus may not use any of a grant award received under  
 39-8 Section 21.655 to provide for an incentive payment to an employee  
 39-9 whose primary responsibility, as determined in accordance with  
 39-10 commissioner rule, is supervision of an athletic activity.

39-11 Sec. 21.658. RULES. The commissioner shall adopt rules  
 39-12 necessary to administer this subchapter.

#### 39-13 SUBCHAPTER O. EDUCATOR EXCELLENCE AWARDS PROGRAM

39-14 Sec. 21.701. DEFINITION. In this subchapter, "program"  
 39-15 means the educator excellence awards program.

39-16 Sec. 21.702. EDUCATOR EXCELLENCE AWARDS PROGRAM. (a) The  
 39-17 commissioner by rule shall establish an educator excellence awards  
 39-18 program under which school districts, in accordance with local  
 39-19 awards plans approved by the commissioner, receive program grants  
 39-20 from the agency for the purpose of providing awards to district  
 39-21 employees in the manner provided by Section 21.705.

39-22 (b) In establishing the program, the commissioner shall  
 39-23 adopt program guidelines in accordance with this subchapter for a  
 39-24 school district to follow in developing a local awards plan under  
 39-25 Section 21.704.

39-26 (c) In adopting rules under this section, the commissioner  
 39-27 shall include rules governing eligibility for and participation by  
 39-28 an open-enrollment charter school in the program.

39-29 Sec. 21.703. EDUCATOR EXCELLENCE FUND; AMOUNT OF GRANT  
 39-30 AWARD. (a) Each state fiscal year, the commissioner shall deposit  
 39-31 the sum of \$1,000 multiplied by the number of classroom teachers in  
 39-32 this state to the credit of the educator excellence fund in the  
 39-33 general revenue fund. Each state fiscal year, the agency shall use:

39-34 (1) not more than \$100 million of the funds in the  
 39-35 educator excellence fund to provide grant awards under the awards  
 39-36 for student achievement program established under Subchapter N; and

39-37 (2) any remaining funds in the educator excellence  
 39-38 fund to provide a qualifying school district a grant in an amount  
 39-39 determined by:

39-40 (A) dividing the amount of remaining money  
 39-41 available for distribution in the educator excellence fund by the  
 39-42 total number of students in average daily attendance in qualifying  
 39-43 districts for that fiscal year; and

39-44 (B) multiplying the amount determined under  
 39-45 Paragraph (A) by the number of students in average daily attendance  
 39-46 in the district.

39-47 (b) Subsection (a) applies beginning with the state fiscal  
 39-48 year beginning September 1, 2008. In the state fiscal year  
 39-49 beginning September 1, 2007, the commissioner shall deposit \$840  
 39-50 multiplied by the number of classroom teachers in this state to the  
 39-51 credit of the educator excellence fund in the general revenue fund.  
 39-52 The agency shall use:

39-53 (1) not more than \$100 million of the funds in the  
 39-54 educator excellence fund to provide grant awards under the awards  
 39-55 for student achievement program established under Subchapter N; and

39-56 (2) any remaining funds in the educator excellence  
 39-57 fund to provide a qualifying school district a grant in an amount  
 39-58 determined by:

39-59 (A) dividing the amount of remaining money  
 39-60 available for distribution in the educator excellence fund by the  
 39-61 total number of students in average daily attendance in qualifying  
 39-62 districts for that fiscal year; and

39-63 (B) multiplying the amount determined under  
 39-64 Paragraph (A) by the number of students in average daily attendance  
 39-65 in the district.

39-66 (c) Subsection (b) and this subsection expire September 1,  
 39-67 2008.

39-68 (d) Notwithstanding Subsection (a) or (b), the agency may  
 39-69 use funds in the educator excellence fund as necessary to conduct or

40-1 contract with another entity to conduct the evaluation required  
 40-2 under Section 21.706. This subsection expires June 1, 2011.

40-3 Sec. 21.704. LOCAL AWARDS PLANS. (a) A district-level  
 40-4 committee for a school district that intends to participate in the  
 40-5 program, such as the district-level planning and decision-making  
 40-6 committee established under Subchapter F, Chapter 11, shall develop  
 40-7 a local awards plan for the district. The local awards plan may  
 40-8 provide for all campuses in the district to participate in the  
 40-9 program or only certain campuses selected by the district-level  
 40-10 committee. A majority of classroom teachers assigned to a campus  
 40-11 that is selected by the district-level committee to participate in  
 40-12 the program must approve participation to be included in the local  
 40-13 awards plan.

40-14 (b) If appropriate, the district-level committee may use a  
 40-15 campus incentive plan developed for a campus in the district under  
 40-16 Subchapter N in whole or in part as part of the local awards plan  
 40-17 submitted under this section. Notwithstanding Section 21.705, the  
 40-18 commissioner by rule shall allow a campus that receives funding  
 40-19 under Subchapter N and that is included in a district's local awards  
 40-20 plan under this section to use grant funds received under this  
 40-21 subchapter as additional money to be spent in the manner provided by  
 40-22 Subchapter N.

40-23 (c) A school district shall submit a local awards plan to  
 40-24 the agency for approval. The plan must be submitted together with  
 40-25 evidence of significant teacher involvement in the development of  
 40-26 the plan.

40-27 (d) The agency may approve only a local awards plan that  
 40-28 meets program guidelines adopted by the commissioner under Section  
 40-29 21.702 and that satisfies this section and Section 21.705.

40-30 (e) The agency shall make model local awards plans available  
 40-31 to school districts that wish to participate in the program.

40-32 (f) A school district whose local awards plan is approved by  
 40-33 the agency to receive a program grant under this subchapter may  
 40-34 renew the plan for three consecutive school years without  
 40-35 resubmitting the plan to the agency for approval. A school district  
 40-36 may amend a local awards plan for approval by the agency for each  
 40-37 school year the district receives a program grant.

40-38 Sec. 21.705. AWARD PAYMENTS. A school district must use at  
 40-39 least 60 percent of grant funds awarded to the district under this  
 40-40 subchapter to directly award classroom teachers who effectively  
 40-41 improve student achievement as determined by meaningful, objective  
 40-42 measures. The remaining funds must be used only to:

40-43 (1) provide stipends to effective mentors or teacher  
 40-44 coaches;

40-45 (2) provide stipends to classroom teachers who are  
 40-46 certified in a subject that is designated by the commissioner as  
 40-47 commonly experiencing a critical shortage of teachers;

40-48 (3) provide stipends to classroom teachers who are  
 40-49 certified under Subchapter B in the main subject area in which they  
 40-50 teach;

40-51 (4) provide stipends to classroom teachers with proven  
 40-52 records of success for improving student performance who are  
 40-53 assigned to campuses at which the district has experienced  
 40-54 difficulty assigning or retaining teachers;

40-55 (5) provide stipends to classroom teachers who hold  
 40-56 postgraduate degrees;

40-57 (6) provide awards to principals who effectively  
 40-58 increase student performance as determined by objective measures;

40-59 (7) provide awards to other campus employees who  
 40-60 demonstrate excellence; or

40-61 (8) implement the components of a Teacher Advancement  
 40-62 Program (TAP), including:

40-63 (A) an instructionally focused accountability  
 40-64 system; and

40-65 (B) the adjustment of teaching schedules to  
 40-66 permit ongoing applied professional growth.

40-67 Sec. 21.706. EVALUATION OF AWARDS FOR STUDENT ACHIEVEMENT  
 40-68 AND EDUCATION EXCELLENCE AWARDS PROGRAMS. (a) Using funds from the  
 40-69 educator excellence fund created under Section 21.703, the agency

41-1 shall conduct or contract with another entity to conduct a  
 41-2 comprehensive evaluation of the awards for student achievement  
 41-3 program established under Subchapter N and the educator excellence  
 41-4 awards program established under this subchapter. The evaluation  
 41-5 must include:

41-6 (1) a descriptive analysis of the design and  
 41-7 implementation of the awards for student achievement program and  
 41-8 the educator excellence awards program at participating campuses or  
 41-9 school districts, including detailed descriptions of the models and  
 41-10 approaches used by the campuses or districts in distributing  
 41-11 incentive awards to classroom teachers;

41-12 (2) detailed information regarding the distribution  
 41-13 of incentive awards to classroom teachers under the awards for  
 41-14 student achievement program and the educator excellence awards  
 41-15 program, including the measurements used by the campuses or  
 41-16 districts in determining the amounts of incentive awards to  
 41-17 distribute to classroom teachers;

41-18 (3) a comprehensive, quantitative analysis of the  
 41-19 impact of the awards for student achievement program and the  
 41-20 educator excellence awards program at participating campuses or  
 41-21 districts, including the impact of the various incentive award  
 41-22 distribution models used by the campuses or districts on key  
 41-23 outcomes in the programs; and

41-24 (4) a summary of the approaches used by participating  
 41-25 campuses or districts in distributing grant funds that are not  
 41-26 specifically designated for distribution as incentive awards for  
 41-27 classroom teachers and an assessment of whether those funds are  
 41-28 used effectively by the participating campuses or districts.

41-29 (b) Not later than December 1, 2008, the agency shall  
 41-30 prepare and deliver to each member of the legislature a report  
 41-31 describing the interim results of the evaluation conducted in  
 41-32 accordance with this section. Not later than December 1, 2010, the  
 41-33 agency shall prepare and deliver to each member of the legislature a  
 41-34 report describing the final results of the evaluation.

41-35 (c) This section expires June 1, 2011.

41-36 Sec. 21.707. RULES. The commissioner shall adopt rules  
 41-37 necessary to administer this subchapter.

41-38 SECTION 4.09. Subchapter D, Chapter 22, Education Code, as  
 41-39 added by Chapters 899 and 1359, Acts of the 79th Legislature,  
 41-40 Regular Session, 2005, is reenacted and amended to read as follows:

41-41 SUBCHAPTER D. HEALTH CARE [~~COMPENSATION~~] SUPPLEMENTATION

41-42 Sec. 22.101. DEFINITIONS. In this subchapter:

41-43 (1) "Cafeteria plan" means a plan as defined and  
 41-44 authorized by Section 125, Internal Revenue Code of 1986.

41-45 (2) "Employee" means an active, contributing member of  
 41-46 the Teacher Retirement System of Texas who:

41-47 (A) is employed by a district, other educational  
 41-48 district whose employees are members of the Teacher Retirement  
 41-49 System of Texas, participating charter school, or regional  
 41-50 education service center;

41-51 (B) is not a retiree eligible for coverage under  
 41-52 the program established under Chapter 1575, Insurance Code;

41-53 (C) is not eligible for coverage by a group  
 41-54 insurance program under Chapter 1551 or 1601, Insurance Code; and

41-55 (D) is not an individual performing personal  
 41-56 services for a district, other educational district that is a  
 41-57 member of the Teacher Retirement System of Texas, participating  
 41-58 charter school, or regional education service center as an  
 41-59 independent contractor.

41-60 (3) "Participating charter school" means an  
 41-61 open-enrollment charter school established under Subchapter D,  
 41-62 Chapter 12, that participates in the program established under  
 41-63 Chapter 1579, Insurance Code.

41-64 (4) "Regional education service center" means a  
 41-65 regional education service center established under Chapter 8.

41-66 Sec. 22.102. AUTHORITY TO ADOPT RULES; OTHER AUTHORITY.

41-67 (a) The agency may adopt rules to implement this subchapter.

41-68 (b) The agency may enter into interagency contracts with any  
 41-69 other agency of this state for the purpose of assistance in

42-1 implementing this subchapter.

42-2 Sec. 22.103. DESIGNATION OF COMPENSATION AS HEALTH CARE  
 42-3 SUPPLEMENTATION. (a) An employee of a school [ELIGIBILITY,  
 42-4 WAITING PERIOD. A person is not eligible for a monthly distribution  
 42-5 under this subchapter before the 91st day after the first day the  
 42-6 person becomes an employee.

42-7 [Sec. 22.104. DISTRIBUTION BY AGENCY. Subject to the  
 42-8 availability of funds, each month the agency shall deliver to each]  
 42-9 district, [including a district that is ineligible for state aid  
 42-10 under Chapter 42, each] other educational district that is a member  
 42-11 of the Teacher Retirement System of Texas, [each] participating  
 42-12 charter school, or [and each] regional education service center may  
 42-13 elect to designate a portion of the employee's compensation to be  
 42-14 used as health care supplementation under this subchapter.

42-15 (b) The amount designated under this section may not exceed  
 42-16 the amount permitted under applicable federal law.

42-17 (c) This section does not apply to an employee who is not  
 42-18 covered by a cafeteria plan or who is not eligible to pay health  
 42-19 care premiums through a premium conversion plan [state funds in an  
 42-20 amount, as determined by the agency, equal to the product of the  
 42-21 number of eligible employees employed by the district, school, or  
 42-22 service center multiplied by the amount specified in the General  
 42-23 Appropriations Act for purposes of this subchapter and divided by  
 42-24 12. The agency shall distribute funding to only one entity for  
 42-25 employees who are employed by more than one entity listed in this  
 42-26 section].

42-27 Sec. 22.104 [~~22.105~~]. FUNDS HELD IN TRUST. All funds  
 42-28 received by a district, other educational district, participating  
 42-29 charter school, or regional education service center under this  
 42-30 subchapter are held in trust for the benefit of the employees on  
 42-31 whose behalf the district, school, or service center received the  
 42-32 funds.

42-33 Sec. 22.105. WRITTEN ELECTION REQUIRED. Each school year,  
 42-34 an active employee must elect in writing whether to designate a  
 42-35 portion of the employee's compensation to be used as health care  
 42-36 supplementation under this subchapter. An election under this  
 42-37 section must be made at the same time at which the employee elects  
 42-38 to participate in a cafeteria plan, if applicable.

42-39 Sec. 22.106. [~~RECOVERY OF DISTRIBUTIONS.~~ The agency is  
 42-40 entitled to recover from a district, other educational district,  
 42-41 participating charter school, or regional education service center  
 42-42 any amount distributed under this subchapter to which the district,  
 42-43 school, or service center was not entitled.

42-44 [~~Sec. 22.107. DETERMINATION BY AGENCY FINAL.~~ A  
 42-45 determination by the agency under this subchapter is final and may  
 42-46 not be appealed.

42-47 [~~Sec. 22.108. DISTRIBUTION BY SCHOOL.~~ Each month, each  
 42-48 district, other educational district that is a member of the  
 42-49 Teacher Retirement System of Texas, participating charter school,  
 42-50 and regional education service center must distribute to its  
 42-51 eligible employees the funding received under this subchapter. To  
 42-52 receive the monthly distribution, an individual must meet the  
 42-53 definition of an employee under Section 22.101 for that month.

42-54 [~~Sec. 22.109.~~] USE OF DESIGNATED [SUPPLEMENTAL]  
 42-55 COMPENSATION. An employee may use compensation designated for  
 42-56 health care supplementation [a monthly distribution received]  
 42-57 under this subchapter for any employee benefit, including  
 42-58 depositing the designated amount [of the distribution] into a  
 42-59 cafeteria plan in which[, if] the employee is enrolled [in a  
 42-60 cafeteria plan,] or using the designated amount [of the  
 42-61 distribution] for health care premiums through a premium conversion  
 42-62 plan. [The employee may take the amount of the distribution as  
 42-63 supplemental compensation.

42-64 [~~Sec. 22.110. SUPPLEMENTAL COMPENSATION.~~ An amount  
 42-65 distributed to an employee under this subchapter must be in  
 42-66 addition to the rate of compensation that:

42-67 (1) ~~the district, other educational district,~~  
 42-68 ~~participating charter school, or regional education service center~~  
 42-69 ~~paid the employee in the preceding school year; or~~

~~43-1 [(2) the district, school, or service center would  
43-2 have paid the employee in the preceding school year if the employee  
43-3 had been employed by the district, school, or service center in the  
43-4 same capacity in the preceding school year.]~~

43-5 Sec. 22.107. WAGE INCREASE FOR SUPPORT STAFF. (a) For the  
43-6 2006-2007 school year, a school district shall pay each full-time  
43-7 district employee, other than an administrator or an employee  
43-8 subject to the minimum salary schedule under Section 21.402, an  
43-9 amount at least equal to \$500.

43-10 (b) For the 2006-2007 school year, a school district shall  
43-11 pay each part-time district employee, other than an administrator,  
43-12 an amount at least equal to \$250.

43-13 (c) A school district employee entitled to a wage increase  
43-14 under this section may elect to receive a portion of the person's  
43-15 annual wages as health care supplementation as provided by this  
43-16 subchapter.

43-17 (d) A payment under this section is in addition to wages the  
43-18 district would otherwise pay the employee during the school year.

43-19 (e) This section expires September 1, 2007.

43-20 SECTION 4.10. Subchapter E, Chapter 42, Education Code, is  
43-21 amended by adding Section 42.2513 to read as follows:

43-22 Sec. 42.2513. ADDITIONAL STATE AID FOR STAFF SALARY  
43-23 INCREASES. (a) For the 2006-2007 school year, a school district,  
43-24 including a school district that is otherwise ineligible for state  
43-25 aid under this chapter, is entitled to state aid in an amount equal  
43-26 to the sum of:

43-27 (1) the product of \$500 multiplied by the number of  
43-28 full-time district employees, other than administrators or  
43-29 employees subject to the minimum salary schedule under Section  
43-30 21.402; and

43-31 (2) the product of \$250 multiplied by the number of  
43-32 part-time district employees, other than administrators.

43-33 (b) This subsection expires September 1, 2007.

43-34 (c) A determination by the commissioner under this section  
43-35 is final and may not be appealed.

43-36 (d) The commissioner may adopt rules to implement this  
43-37 section.

43-38 SECTION 4.11. Sections 822.201(b) and (c), Government Code,  
43-39 are amended to read as follows:

43-40 (b) "Salary and wages" as used in Subsection (a) means:

43-41 (1) normal periodic payments of money for service the  
43-42 right to which accrues on a regular basis in proportion to the  
43-43 service performed;

43-44 (2) amounts by which the member's salary is reduced  
43-45 under a salary reduction agreement authorized by Chapter 610;

43-46 (3) amounts that would otherwise qualify as salary and  
43-47 wages under Subdivision (1) but are not received directly by the  
43-48 member pursuant to a good faith, voluntary written salary reduction  
43-49 agreement in order to finance payments to a deferred compensation  
43-50 or tax sheltered annuity program specifically authorized by state  
43-51 law or to finance benefit options under a cafeteria plan qualifying  
43-52 under Section 125 of the Internal Revenue Code of 1986, if:

43-53 (A) the program or benefit options are made  
43-54 available to all employees of the employer; and

43-55 (B) the benefit options in the cafeteria plan are  
43-56 limited to one or more options that provide deferred compensation,  
43-57 group health and disability insurance, group term life insurance,  
43-58 dependent care assistance programs, or group legal services plans;

43-59 (4) performance pay awarded to an employee by a school  
43-60 district as part of a total compensation plan approved by the board  
43-61 of trustees of the district and meeting the requirements of  
43-62 Subsection (e);

43-63 (5) the benefit replacement pay a person earns under  
43-64 Subchapter H, Chapter 659, except as provided by Subsection (c);

43-65 (6) stipends paid to teachers in accordance with  
43-66 Section 21.410, 21.411, 21.412, or 21.413, Education Code;

43-67 (7) amounts by which the member's salary is reduced or  
43-68 that are deducted from the member's salary as authorized by  
43-69 Subchapter J, Chapter 659; [and]

44-1 (8) a merit salary increase made under Section 51.962,  
 44-2 Education Code; and  
 44-3 (9) amounts received under the awards for student  
 44-4 achievement program under Subchapter N, Chapter 21, Education Code,  
 44-5 the educator excellence awards program under Subchapter O, Chapter  
 44-6 21, Education Code, or a mentoring program under Section 21.458,  
 44-7 Education Code.

44-8 (c) Excluded from salary and wages are:  
 44-9 (1) expense payments;  
 44-10 (2) allowances;  
 44-11 (3) payments for unused vacation or sick leave;  
 44-12 (4) maintenance or other nonmonetary compensation;  
 44-13 (5) fringe benefits;  
 44-14 (6) deferred compensation other than as provided by  
 44-15 Subsection (b)(3);  
 44-16 (7) compensation that is not made pursuant to a valid  
 44-17 employment agreement;  
 44-18 (8) payments received by an employee in a school year  
 44-19 that exceed \$5,000 for teaching a driver education and traffic  
 44-20 safety course that is conducted outside regular classroom hours;  
 44-21 (9) the benefit replacement pay a person earns as a  
 44-22 result of a payment made under Subchapter B or C, Chapter 661;  
 44-23 (10) any compensation designated as health care  
 44-24 supplementation [amount received] by an employee under Subchapter  
 44-25 D, Chapter 22, Education Code, subject to an annual limit of \$1,000;  
 44-26 (11) any amount received by an employee under:  
 44-27 (A) [~~7~~] former Article 3.50-8, Insurance Code;  
 44-28 (B) [~~7~~] former Chapter 1580, Insurance Code;  
 44-29 (C) Subchapter D, Chapter 22, Education Code, as  
 44-30 that subchapter existed January 1, 2006; [~~7~~] or  
 44-31 (D) Rider 9, Page III-39, Chapter 1330, Acts of  
 44-32 the 78th Legislature, Regular Session, 2003 (the General  
 44-33 Appropriations Act); and  
 44-34 (12) [~~11~~] any compensation not described in  
 44-35 Subsection (b).

44-36 SECTION 4.12. Section 21.402(a-1), Education Code, as added  
 44-37 by this Act, does not apply to the salary of an educator employed  
 44-38 under a contract entered into before the effective date of this Act.

44-39 SECTION 4.13. As soon as practicable after the effective  
 44-40 date of this Act, the commissioner of education shall adopt rules  
 44-41 for establishing and administering the awards for student  
 44-42 achievement program under Subchapter N, Chapter 21, Education Code,  
 44-43 as added by this Act, and the educator excellence awards program  
 44-44 under Subchapter O, Chapter 21, Education Code, as added by this  
 44-45 Act. The commissioner shall make the awards for student  
 44-46 achievement program available for campus participation not later  
 44-47 than the 2006-2007 school year. The commissioner shall make the  
 44-48 educator excellence awards program available for school district  
 44-49 participation beginning with the 2007-2008 school year.

#### 44-50 ARTICLE 5. HIGH SCHOOL SUCCESS AND COLLEGE READINESS

44-51 SECTION 5.01. Subchapter A, Chapter 28, Education Code, is  
 44-52 amended by adding Sections 28.008 and 28.009 to read as follows:

44-53 Sec. 28.008. ADVANCEMENT OF COLLEGE READINESS IN  
 44-54 CURRICULUM. (a) To ensure that students are able to perform  
 44-55 college-level course work at institutions of higher education, the  
 44-56 commissioner of education and the commissioner of higher education  
 44-57 shall establish vertical teams composed of public school educators  
 44-58 and institution of higher education faculty.

44-59 (b) The vertical teams shall:

44-60 (1) recommend for approval by the commissioner of  
 44-61 education and the Texas Higher Education Coordinating Board college  
 44-62 readiness standards and expectations that address what students  
 44-63 must know and be able to do to succeed in entry-level courses  
 44-64 offered at institutions of higher education;

44-65 (2) evaluate whether the high school curriculum  
 44-66 requirements under Section 28.002 and other instructional  
 44-67 requirements serve to prepare students to successfully perform  
 44-68 college-level course work;

44-69 (3) recommend how the public school curriculum

45-1 requirements can be aligned with college readiness standards and  
45-2 expectations;

45-3 (4) develop instructional strategies for teaching  
45-4 courses to prepare students to successfully perform college-level  
45-5 course work; and

45-6 (5) develop or establish minimum standards for  
45-7 curricula, professional development materials, and online support  
45-8 materials in English language arts, mathematics, science, and  
45-9 social studies, designed for students who need additional  
45-10 assistance in preparing to successfully perform college-level  
45-11 course work.

45-12 (c) The commissioner of education and the Texas Higher  
45-13 Education Coordinating Board by rule shall establish the  
45-14 composition and duties of the vertical teams established under this  
45-15 section.

45-16 (d) The State Board of Education shall incorporate college  
45-17 readiness standards and expectations approved by the commissioner  
45-18 of education and the Texas Higher Education Coordinating Board  
45-19 under Subsection (b) into the essential knowledge and skills  
45-20 identified by the board under Section 28.002(c).

45-21 (e) Not later than September 1, 2011, the vertical teams  
45-22 shall complete the development of or establish minimum standards  
45-23 for the curricula and related materials under Subsection (b)(5).  
45-24 The vertical teams shall develop or establish minimum standards for  
45-25 the English language arts curricula and materials first, followed  
45-26 by mathematics, science, and social studies, respectively. The  
45-27 vertical teams shall complete the development of or establish  
45-28 minimum standards for the English language arts curricula and  
45-29 materials for approval by the State Board of Education not later  
45-30 than June 1, 2009. The English language arts curricula and online  
45-31 materials must be made available to high school students beginning  
45-32 with the 2009 fall semester, with the mathematics, science, and  
45-33 social studies curricula and online materials respectively  
45-34 becoming available each subsequent fall semester. This subsection  
45-35 expires December 1, 2012.

45-36 (f) The agency shall coordinate with the Texas Higher  
45-37 Education Coordinating Board as necessary in administering this  
45-38 section.

45-39 Sec. 28.009. COLLEGE CREDIT PROGRAM. (a) Each school  
45-40 district shall implement a program under which students may earn  
45-41 the equivalent of at least 12 semester credit hours of college  
45-42 credit in high school. On request, a public institution of higher  
45-43 education in this state shall assist a school district in  
45-44 developing and implementing the program.

45-45 (a-1) Not later than the fall 2008 semester, each school  
45-46 district shall implement a program that meets the requirements  
45-47 prescribed by Subsection (a). This subsection expires June 1,  
45-48 2009.

45-49 (b) The agency shall coordinate with the Texas Higher  
45-50 Education Coordinating Board as necessary in administering this  
45-51 section.

45-52 SECTION 5.02. Section 28.025, Education Code, is amended by  
45-53 adding Subsection (b-1) to read as follows:

45-54 (b-1) The State Board of Education by rule shall require  
45-55 that:

45-56 (1) the curriculum requirements for the recommended  
45-57 and advanced high school programs under Subsection (a) include a  
45-58 requirement that students successfully complete four courses in  
45-59 each subject of the foundation curriculum under Section  
45-60 28.002(a)(1); and

45-61 (2) one or more courses offered in the required  
45-62 curriculum for the recommended and advanced high school programs  
45-63 include a research writing component.

45-64 SECTION 5.03. Subchapter C, Chapter 29, Education Code, is  
45-65 amended by adding Section 29.0822 to read as follows:

45-66 Sec. 29.0822. OPTIONAL FLEXIBLE SCHOOL DAY PROGRAM. (a)  
45-67 Notwithstanding Section 25.081 or 25.082, a school district may  
45-68 apply to the commissioner to provide a flexible school day program  
45-69 for students in grades nine through 12 who:

46-1 (1) have dropped out of school or are at risk of  
 46-2 dropping out of school as defined by Section 29.081; or

46-3 (2) attend a campus that is implementing an innovative  
 46-4 redesign of the campus or an early college high school under a plan  
 46-5 approved by the commissioner.

46-6 (b) To enable a school district to provide a program under  
 46-7 this section that meets the needs of students described by  
 46-8 Subsection (a), a school district that meets application  
 46-9 requirements may:

46-10 (1) provide flexibility in the number of hours each  
 46-11 day a student attends;

46-12 (2) provide flexibility in the number of days each  
 46-13 week a student attends; or

46-14 (3) allow a student to enroll in less than or more than  
 46-15 a full course load.

46-16 (c) A course offered in a program under this section must  
 46-17 provide for at least the same number of instructional hours as  
 46-18 required for a course offered in a program that meets the required  
 46-19 minimum number of instructional days under Section 25.081 and the  
 46-20 required length of school day under Section 25.082.

46-21 (d) The commissioner may adopt rules for the administration  
 46-22 of this section, including rules establishing application  
 46-23 requirements. The commissioner shall calculate average daily  
 46-24 attendance for students served under this section. The  
 46-25 commissioner shall allow accumulations of hours of instruction for  
 46-26 students whose schedule would not otherwise allow full state  
 46-27 funding. Funding under this subsection shall be determined based  
 46-28 on the number of instructional days in the school district calendar  
 46-29 and a seven-hour school day, but attendance may be cumulated over a  
 46-30 school year, including any summer or vacation session. The  
 46-31 attendance of students who accumulate less than the number of  
 46-32 attendance hours required under this subsection shall be  
 46-33 proportionately reduced for funding purposes. The commissioner may  
 46-34 set maximum funding amounts for an individual course under this  
 46-35 section.

46-36 SECTION 5.04. Subchapter D, Chapter 29, Education Code, is  
 46-37 amended by adding Section 29.124 to read as follows:

46-38 Sec. 29.124. TEXAS GOVERNOR'S SCHOOLS. (a) In this  
 46-39 section, "public senior college or university" has the meaning  
 46-40 assigned by Section 61.003.

46-41 (b) A Texas governor's school is a summer residential  
 46-42 program for high-achieving high school students. A governor's  
 46-43 school program may include any or all of the following educational  
 46-44 curricula:

46-45 (1) mathematics and science;

46-46 (2) humanities; or

46-47 (3) leadership and public policy.

46-48 (c) A public senior college or university may apply to the  
 46-49 commissioner to administer a Texas governor's school program under  
 46-50 this section. The commissioner shall give preference to a public  
 46-51 senior college or university that applies in cooperation with a  
 46-52 nonprofit association. The commissioner shall give additional  
 46-53 preference if the nonprofit association receives private  
 46-54 foundation funds that may be used to finance the program.

46-55 (d) The commissioner may approve an application under this  
 46-56 section only if the applicant:

46-57 (1) applies within the period and in the manner  
 46-58 required by rule adopted by the commissioner;

46-59 (2) submits a program proposal that includes:

46-60 (A) a curriculum consistent with Subsection (b);

46-61 (B) criteria for selecting students to  
 46-62 participate in the program;

46-63 (C) a statement of the length of the program,  
 46-64 which must be at least three weeks; and

46-65 (D) a statement of the location of the program;

46-66 (3) agrees to use a grant under this section only for  
 46-67 the purpose of administering a program; and

46-68 (4) satisfies any other requirements established by  
 46-69 rule adopted by the commissioner.

47-1 (e) From funds appropriated to the agency, the commissioner  
 47-2 may make a grant in an amount not to exceed \$750,000 each year to  
 47-3 public senior colleges or universities whose applications are  
 47-4 approved under this section to pay the costs of administering a  
 47-5 Texas governor's school program.

47-6 (f) The commissioner may adopt other rules necessary to  
 47-7 implement this section.

47-8 SECTION 5.05. Subchapter B, Chapter 39, Education Code, is  
 47-9 amended by adding Section 39.0232 to read as follows:

47-10 Sec. 39.0232. USE OF END-OF-COURSE ASSESSMENT INSTRUMENT AS  
 47-11 PLACEMENT INSTRUMENT. To the extent practicable, the agency shall  
 47-12 ensure that any high school end-of-course assessment instrument  
 47-13 developed by the agency is developed in such a manner that the  
 47-14 assessment instrument may be used to determine the appropriate  
 47-15 placement of a student in a course of the same subject matter at an  
 47-16 institution of higher education.

47-17 SECTION 5.06. Subchapter F, Chapter 39, Education Code, is  
 47-18 amended by adding Sections 39.113 and 39.114 to read as follows:

47-19 Sec. 39.113. RECOGNITION OF HIGH SCHOOL COMPLETION AND  
 47-20 SUCCESS AND COLLEGE READINESS PROGRAMS. (a) The agency shall:

47-21 (1) develop standards for evaluating the success and  
 47-22 cost-effectiveness of high school completion and success and  
 47-23 college readiness programs implemented under Section 39.114;

47-24 (2) provide guidance for school districts and campuses  
 47-25 in establishing and improving high school completion and success  
 47-26 and college readiness programs implemented under Section 39.114;  
 47-27 and

47-28 (3) develop standards for selecting and methods for  
 47-29 recognizing school districts and campuses that offer exceptional  
 47-30 high school completion and success and college readiness programs  
 47-31 under Section 39.114.

47-32 (b) The commissioner may adopt rules for the administration  
 47-33 of this section.

47-34 Sec. 39.114. HIGH SCHOOL ALLOTMENT. (a) Except as provided  
 47-35 by Subsection (b), a school district or campus must use funds  
 47-36 allocated under Section 42.2516(b)(3) to:

47-37 (1) implement or administer a college readiness  
 47-38 program that provides academic support and instruction to prepare  
 47-39 underachieving students for entrance into an institution of higher  
 47-40 education;

47-41 (2) implement or administer a program that encourages  
 47-42 students to pursue advanced academic opportunities, including  
 47-43 early college high school programs and dual credit, advanced  
 47-44 placement, and international baccalaureate courses;

47-45 (3) implement or administer a program that provides  
 47-46 opportunities for students to take academically rigorous course  
 47-47 work, including four years of mathematics and four years of science  
 47-48 at the high school level;

47-49 (4) implement or administer a program, including  
 47-50 online course support and professional development, that aligns the  
 47-51 curriculum for grades six through 12 with postsecondary curriculum  
 47-52 and expectations; or

47-53 (5) implement or administer other high school  
 47-54 completion and success initiatives in grades six through 12  
 47-55 approved by the commissioner.

47-56 (b) A school district may use funds allocated under Section  
 47-57 42.2516(b)(3) on any instructional program in grades six through 12  
 47-58 other than an athletic program if:

47-59 (1) the district is recognized as exceptional by the  
 47-60 commissioner under the academic accountability indicator adopted  
 47-61 under Section 39.051(b)(13); and

47-62 (2) the district's completion rates for grades nine  
 47-63 through 12 meet or exceed completion rate standards required by the  
 47-64 commissioner to achieve a rating of exemplary under Section 39.072.

47-65 (b-1) Subsection (b) applies beginning with the 2008-2009  
 47-66 school year. This subsection expires September 1, 2009.

47-67 (c) An open-enrollment charter school is entitled to an  
 47-68 allotment under this section in the same manner as a school  
 47-69 district.

48-1 (d) The commissioner shall adopt rules to administer this  
 48-2 section, including rules related to the permissible use of funds  
 48-3 allocated under this section to an open-enrollment charter school.

48-4 SECTION 5.07. Section 42.005(a), Education Code, is amended  
 48-5 to read as follows:

48-6 (a) In this chapter, average daily attendance is:

48-7 (1) the quotient of the sum of attendance for each day  
 48-8 of the minimum number of days of instruction as described under  
 48-9 Section 25.081(a) divided by the minimum number of days of  
 48-10 instruction; ~~or~~

48-11 (2) for a district that operates under a flexible year  
 48-12 program under Section 29.0821, the quotient of the sum of  
 48-13 attendance for each actual day of instruction as permitted by  
 48-14 Section 29.0821(b)(1) divided by the number of actual days of  
 48-15 instruction as permitted by Section 29.0821(b)(1); or

48-16 (3) for a district that operates under a flexible  
 48-17 school day program under Section 29.0822, the average daily  
 48-18 attendance as calculated by the commissioner in accordance with  
 48-19 Section 29.0822(d).

48-20 SECTION 5.08. Subchapter C, Chapter 61, Education Code, is  
 48-21 amended by adding Sections 61.0761, 61.0762, and 61.0763 to read as  
 48-22 follows:

48-23 Sec. 61.0761. P-16 COLLEGE READINESS AND SUCCESS STRATEGIC  
 48-24 ACTION PLAN. (a) The P-16 Council established under Section 61.076  
 48-25 shall recommend to the commissioner of education and the board a  
 48-26 college readiness and success strategic action plan to increase  
 48-27 student success and decrease the number of students enrolling in  
 48-28 developmental course work in institutions of higher education. The  
 48-29 plan must include:

48-30 (1) definitions, as determined by the P-16 Council in  
 48-31 coordination with the State Board of Education, of the standards  
 48-32 and expectations for college readiness that address the knowledge  
 48-33 and skills expected of students to perform successfully in  
 48-34 entry-level courses offered at institutions of higher education;

48-35 (2) a description of the components of a P-16  
 48-36 individualized graduation plan sufficient to prepare students for  
 48-37 college success;

48-38 (3) the manner in which the Texas Education Agency  
 48-39 should provide model curricula for use as a reference tool by school  
 48-40 district employees;

48-41 (4) recommendations to the Texas Education Agency, the  
 48-42 State Board of Education, and the board regarding strategies for  
 48-43 decreasing the number of students enrolling in developmental course  
 48-44 work at institutions of higher education;

48-45 (5) recommendations to the State Board for Educator  
 48-46 Certification regarding changes to educator certification and  
 48-47 professional development requirements that contribute to the  
 48-48 ability of public school teachers to prepare students for higher  
 48-49 education; and

48-50 (6) any other elements that the commissioner of  
 48-51 education and the board suggest for inclusion in the plan.

48-52 (b) The commissioner of education and the board shall adopt  
 48-53 the college readiness and success strategic action plan recommended  
 48-54 by the P-16 Council if the commissioner of education and the board  
 48-55 determine that the plan meets the requirements of this section.

48-56 (c) Notwithstanding any other provision of this section,  
 48-57 the State Board of Education retains the board's authority over the  
 48-58 required curriculum adopted under Section 28.002.

48-59 (d) Not later than December 1 of each even-numbered year,  
 48-60 the commissioner of education and the board shall submit a report to  
 48-61 the governor, the lieutenant governor, the speaker of the house of  
 48-62 representatives, each member of the Legislative Budget Board, and  
 48-63 the members of the standing committees of the senate and house of  
 48-64 representatives with primary jurisdiction over the public school  
 48-65 system and higher education system describing progress in  
 48-66 implementing the college readiness and success strategic action  
 48-67 plan.

48-68 (e) The commissioner of education and the board shall adopt  
 48-69 rules necessary to implement this section.

49-1 Sec. 61.0762. PROGRAMS TO ENHANCE STUDENT SUCCESS. To  
 49-2 implement the college readiness and success strategic action plan  
 49-3 adopted under Section 61.0761 and to enhance the success of  
 49-4 students at institutions of higher education, the board by rule  
 49-5 shall develop:

49-6 (1) summer higher education bridge programs in the  
 49-7 subject areas of mathematics, science, and English language arts;

49-8 (2) incentive programs for institutions of higher  
 49-9 education that implement research-based, innovative developmental  
 49-10 education initiatives;

49-11 (3) financial assistance programs for educationally  
 49-12 disadvantaged students, as defined by Section 5.001, who take  
 49-13 college entrance and college readiness assessment instruments;

49-14 (4) professional development programs for faculty of  
 49-15 institutions of higher education on college readiness standards and  
 49-16 the implications of such standards on instruction; and

49-17 (5) other programs as determined by the board that  
 49-18 support the participation and success goals in "Closing the Gaps,"  
 49-19 the state's master plan for higher education.

49-20 Sec. 61.0763. COURSE REDESIGN PROJECT. (a) To improve  
 49-21 student learning and reduce the cost of course delivery, the board,  
 49-22 with the assistance of advisory committees and nonprofit  
 49-23 organizations with expertise in methodologies for developing and  
 49-24 delivering college-level courses in a cost-effective manner, shall  
 49-25 implement a project under which institutions of higher education  
 49-26 selected by the board will review and revise entry-level lower  
 49-27 division academic courses. In selecting institutions of higher  
 49-28 education to participate in the project, the board shall determine  
 49-29 the criteria for participation and must encourage collaboration  
 49-30 among institutions, including institutions of different types.  
 49-31 Participating institutions of higher education shall:

49-32 (1) review and revise one or more courses from among  
 49-33 not more than 25 entry-level lower division academic courses  
 49-34 identified by the board;

49-35 (2) draw on established best practices regarding  
 49-36 effective course redesign techniques;

49-37 (3) use information technology to enhance the  
 49-38 effectiveness of revised courses; and

49-39 (4) determine whether any cost savings and increased  
 49-40 student success result from the review and revision of courses  
 49-41 under this section.

49-42 (b) Not later than September 1, 2006, the board shall  
 49-43 initiate the development of the project and recruit institutions of  
 49-44 higher education to participate in the project. Not later than  
 49-45 September 1, 2007, each participating institution of higher  
 49-46 education shall begin offering courses reviewed and revised by the  
 49-47 institution under this section. Not later than September 1, 2009,  
 49-48 each participating institution of higher education shall submit a  
 49-49 report to the board describing the results of the project at the  
 49-50 institution. Not later than January 1, 2011, the board shall submit  
 49-51 a summary report describing the results of the project at  
 49-52 participating institutions of higher education to the clerks of the  
 49-53 standing committees of the senate and house of representatives with  
 49-54 primary jurisdiction over the higher education system.

49-55 (c) This section expires May 1, 2011.

49-56 SECTION 5.09. Not later than January 1, 2007, the State  
 49-57 Board of Education shall adopt rules as required by Section  
 49-58 28.025(b-1), Education Code, as added by this Act. The rules shall  
 49-59 require that the curriculum requirements for the recommended and  
 49-60 advanced high school programs under that subsection apply to  
 49-61 students entering the ninth grade beginning with the 2007-2008  
 49-62 school year.

#### 49-63 ARTICLE 6. PREKINDERGARTEN PROGRAMS

49-64 SECTION 6.01. Section 29.153, Education Code, is amended by  
 49-65 amending Subsection (b) and adding Subsection (f) to read as  
 49-66 follows:

49-67 (b) A child is eligible for enrollment in a prekindergarten  
 49-68 class under this section if the child is at least three years of age  
 49-69 and is:

50-1 (1) unable to speak and comprehend the English  
50-2 language;

50-3 (2) educationally disadvantaged; ~~[or]~~

50-4 (3) homeless, as defined by 42 U.S.C. Section 11302,  
50-5 regardless of the residence of the child, of either parent of the  
50-6 child, or of the child's guardian or other person having lawful  
50-7 control of the child;

50-8 (4) the child of an active duty member of the armed  
50-9 forces of the United States, including the state military forces or  
50-10 a reserve component of the armed forces, who is ordered to active  
50-11 duty by proper authority; or

50-12 (5) the child of a member of the armed forces of the  
50-13 United States, including the state military forces or a reserve  
50-14 component of the armed forces, who was injured or killed while  
50-15 serving on active duty.

50-16 (f) A child who is eligible for enrollment in a  
50-17 prekindergarten class under Subsection (b)(4) or (5) remains  
50-18 eligible for enrollment if the child's parent leaves the armed  
50-19 forces, or is no longer on active duty, after the child begins a  
50-20 prekindergarten class.

50-21 ARTICLE 7. TEXAS SCHOOL FOR THE DEAF

50-22 SECTION 7.01. Section 30.051, Education Code, is amended by  
50-23 amending Subsection (a) and adding Subsection (e) to read as  
50-24 follows:

50-25 (a) The Texas School for the Deaf is a state agency  
50-26 established to provide educational services to persons who are 21  
50-27 years of age or younger on September 1 of any school year and who are  
50-28 deaf or hard of hearing and who may have one or more other  
50-29 disabilities. The school shall provide~~[+~~

50-30 ~~[(1)]~~ comprehensive educational services, on a day or  
50-31 residential basis, and ~~[+~~

50-32 ~~[(2)]~~ short-term services to allow a student to better  
50-33 achieve educational results from services available in the  
50-34 community. The school is not intended to serve:

50-35 (1) students whose needs are appropriately addressed  
50-36 in a home or hospital setting or a residential treatment facility;  
50-37 or

50-38 (2) students whose primary, ongoing needs are related  
50-39 to a severe or profound emotional, behavioral, or cognitive  
50-40 deficit~~[, and~~

50-41 ~~[(3)]~~ ~~services for any student who is deaf or hard of~~  
50-42 ~~hearing and also has an additional disability and who requires a~~  
50-43 ~~specialized support program but does not require a residential~~  
50-44 ~~treatment facility].~~

50-45 (e) If a school district or another educational entity  
50-46 requests an assessment of a student's educational or related needs  
50-47 related to hearing impairment, the school may conduct an assessment  
50-48 and charge a reasonable fee for the assessment.

50-49 SECTION 7.02. Section 30.053(d), Education Code, is amended  
50-50 to read as follows:

50-51 (d) The board shall annually establish the superintendent's  
50-52 salary. The annual salary ~~[must be based on not more than 230 days~~  
50-53 ~~of service and]~~ may not exceed 120 percent of the annual salary of  
50-54 the highest paid instructional administrator at the school.

50-55 SECTION 7.03. Section 30.055, Education Code, is amended by  
50-56 amending Subsection (b) and adding Subsection (g) to read as  
50-57 follows:

50-58 (b) The governing board of the school may enter into an  
50-59 employment contract with any employee who provides, or supervises  
50-60 any employee who provides, direct and regular educational services  
50-61 to students or who provides other professional, educational  
50-62 services. An employee employed under this subsection is not  
50-63 subject to Section 2252.901, Government Code. Each teacher shall  
50-64 be employed under a term contract as provided by Subchapter E,  
50-65 Chapter 21, or under a probationary contract as provided by  
50-66 Subchapter C, Chapter 21. An employee employed under a contract  
50-67 under this subsection:

50-68 (1) shall be paid in accordance with a salary  
50-69 structure adopted by the superintendent with the concurrence of the

51-1 board that provides salaries, including assignment stipends,  
 51-2 equal, on a daily-rate basis, to salaries, including assignment  
 51-3 stipends, paid to employees employed in comparable positions by the  
 51-4 Austin Independent School District;

51-5 (2) is not eligible for longevity pay under Subchapter  
 51-6 D, Chapter 659, Government Code, and is not entitled to a paid day  
 51-7 off from work on any national or state holiday;

51-8 (3) is eligible for sick leave accrual under the  
 51-9 General Appropriations Act in each month in which at least one day  
 51-10 of the month is included in the term of the employment contract and  
 51-11 in any other month in which work is performed or paid leave is  
 51-12 taken;

51-13 (4) may be permitted by the board to use a maximum of  
 51-14 four days per contract term of accrued sick leave for personal  
 51-15 reasons as designated by the board but the number of sick leave days  
 51-16 not used for personal reasons during a contract term may not be  
 51-17 carried forward to a subsequent contract term for use as personal  
 51-18 leave;

51-19 (5) shall be paid the salary designated in the  
 51-20 employment contract in 12 ~~equal~~ monthly installments if the  
 51-21 employee chooses to be paid in that manner; ~~and~~

51-22 (6) shall work the hours established by the  
 51-23 superintendent; and

51-24 (7) in addition to the contract salary received during  
 51-25 the employee's first year of employment with the school and for the  
 51-26 purpose of reducing a vacancy in a position that is difficult to  
 51-27 fill because of the specialized nature and the limited number of  
 51-28 qualified applicants, may be paid a salary supplement, not to  
 51-29 exceed any salary supplement paid by the Austin Independent School  
 51-30 District to an employee employed in a comparable position ~~board~~.

51-31 (g) The school may pay to a teacher or employee who provides  
 51-32 services or supervises an employee who provides services as  
 51-33 described by Subsection (b) and who is employed to provide  
 51-34 short-term services under Section 30.051(a) a salary that, on a  
 51-35 daily-rate basis, does not exceed the salary paid by the Austin  
 51-36 Independent School District to an employee employed in a comparable  
 51-37 position during the regular school year.

51-38 ARTICLE 8. TEXAS EDUCATION AGENCY SUNSET PROVISION

51-39 SECTION 8.01. Section 7.004, Education Code, is amended to  
 51-40 read as follows:

51-41 Sec. 7.004. SUNSET PROVISION. The Texas Education Agency  
 51-42 is subject to Chapter 325, Government Code (Texas Sunset Act).  
 51-43 Unless continued in existence as provided by that chapter, the  
 51-44 agency is abolished September 1, 2012 ~~2007~~. In the review of the  
 51-45 agency by the Sunset Advisory Commission, as required by this  
 51-46 section, the sunset commission shall limit its review to the  
 51-47 appropriateness of recommendations made by the sunset commission to  
 51-48 the 79th Legislature. In the Sunset Advisory Commission's report  
 51-49 to the 80th Legislature, the sunset commission may include any  
 51-50 recommendations it considers appropriate.

51-51 ARTICLE 9. SCHOOL START DATE

51-52 SECTION 9.01. Section 7.056(e), Education Code, is amended  
 51-53 to read as follows:

51-54 (e) Except as provided by Subsection (f), a school campus or  
 51-55 district may not receive an exemption or waiver under this section  
 51-56 from:

51-57 (1) a prohibition on conduct that constitutes a  
 51-58 criminal offense;

51-59 (2) a requirement imposed by federal law or rule,  
 51-60 including a requirement for special education or bilingual  
 51-61 education programs; or

51-62 (3) a requirement, restriction, or prohibition  
 51-63 relating to:

51-64 (A) essential knowledge or skills under Section  
 51-65 28.002 or minimum graduation requirements under Section 28.025;

51-66 (B) public school accountability as provided by  
 51-67 Subchapters B, C, D, and G, Chapter 39;

51-68 (C) extracurricular activities under Section  
 51-69 33.081 or participation in a University Interscholastic League

52-1 area, regional, or state competition under Section 33.0812;  
 52-2 (D) health and safety under Chapter 38;  
 52-3 (E) purchasing under Subchapter B, Chapter 44;  
 52-4 (F) elementary school class size limits, except  
 52-5 as provided by Section 25.112;  
 52-6 (G) removal of a disruptive student from the  
 52-7 classroom under Subchapter A, Chapter 37;  
 52-8 (H) at-risk programs under Subchapter C, Chapter  
 52-9 29;  
 52-10 (I) prekindergarten programs under Subchapter E,  
 52-11 Chapter 29;  
 52-12 (J) educator rights and benefits under  
 52-13 Subchapters A, C, D, E, F, G, and I, Chapter 21, or under Subchapter  
 52-14 A, Chapter 22;  
 52-15 (K) special education programs under Subchapter  
 52-16 A, Chapter 29; ~~or~~  
 52-17 (L) bilingual education programs under  
 52-18 Subchapter B, Chapter 29; or  
 52-19 (M) the requirements for the first day of  
 52-20 instruction under Section 25.0811.

52-21 SECTION 9.02. Section 25.0811(a), Education Code, is  
 52-22 amended to read as follows:

52-23 (a) A school district may not begin instruction for students  
 52-24 for a school year before the fourth Monday ~~[week]~~ in ~~[which]~~ August  
 52-25 unless the district operates a year-round system under Section  
 52-26 25.084 ~~[21 falls. For purposes of this subsection, Sunday is~~  
 52-27 ~~considered the first day of the week].~~

52-28 SECTION 9.03. Sections 25.0811(b) and (c), Education Code,  
 52-29 are repealed.

52-30 SECTION 9.04. (a) Section 25.0811, Education Code, as  
 52-31 amended by this Act, applies beginning with the 2007-2008 school  
 52-32 year. The first day of instruction for the 2006-2007 school year is  
 52-33 governed by Section 25.0811, Education Code, as it existed before  
 52-34 amendment by this Act, and the former law is continued in effect for  
 52-35 that purpose.

52-36 (b) A waiver under Section 7.056(e), Education Code, from  
 52-37 the requirements for the first day of instruction under Section  
 52-38 25.0811, Education Code, for the 2007-2008 or a subsequent school  
 52-39 year that is granted before the effective date of this Act is void.

#### 52-40 ARTICLE 10. HEALTH AND SAFETY

52-41 SECTION 10.01. The heading to Section 38.015, Education  
 52-42 Code, is amended to read as follows:

52-43 Sec. 38.015. SELF-ADMINISTRATION OF PRESCRIPTION ASTHMA OR  
 52-44 ANAPHYLAXIS MEDICINE BY STUDENTS.

52-45 SECTION 10.02. Sections 38.015(a) and (b), Education Code,  
 52-46 are amended to read as follows:

52-47 (a) In this section:

52-48 (1) "Parent" includes a person standing in parental  
 52-49 relation.

52-50 (2) "Self-administration of prescription asthma or  
 52-51 anaphylaxis medicine" means a student's discretionary use of  
 52-52 prescription asthma or anaphylaxis medicine.

52-53 (b) A student with asthma or anaphylaxis is entitled to  
 52-54 possess and self-administer prescription asthma or anaphylaxis  
 52-55 medicine while on school property or at a school-related event or  
 52-56 activity if:

52-57 (1) the prescription ~~[asthma]~~ medicine has been  
 52-58 prescribed for that student as indicated by the prescription label  
 52-59 on the medicine;

52-60 (2) the student has demonstrated to the student's  
 52-61 physician or other licensed health care provider and the school  
 52-62 nurse, if available, the skill level necessary to self-administer  
 52-63 the prescription medication, including the use of any device  
 52-64 required to administer the medication;

52-65 (3) the self-administration is done in compliance with  
 52-66 the prescription or written instructions from the student's  
 52-67 physician or other licensed health care provider; and

52-68 (4) ~~[(3)]~~ a parent of the student provides to the  
 52-69 school:

53-1 (A) a written authorization, signed by the  
 53-2 parent, for the student to self-administer the prescription  
 53-3 [~~asthma~~] medicine while on school property or at a school-related  
 53-4 event or activity; and

53-5 (B) a written statement from the student's  
 53-6 physician or other licensed health care provider, signed by the  
 53-7 physician or provider, that states:

53-8 (i) that the student has asthma or  
 53-9 anaphylaxis and is capable of self-administering the prescription  
 53-10 [~~asthma~~] medicine;

53-11 (ii) the name and purpose of the medicine;  
 53-12 (iii) the prescribed dosage for the  
 53-13 medicine;

53-14 (iv) the times at which or circumstances  
 53-15 under which the medicine may be administered; and

53-16 (v) the period for which the medicine is  
 53-17 prescribed.

#### 53-18 ARTICLE 11. ELECTION PROVISIONS

53-19 SECTION 11.01. Subchapter C, Chapter 11, Education Code, is  
 53-20 amended by adding Section 11.0581 to read as follows:

53-21 Sec. 11.0581. JOINT ELECTIONS REQUIRED. (a) An election  
 53-22 for trustees of an independent school district shall be held on the  
 53-23 same date as:

53-24 (1) the election for the members of the governing body  
 53-25 of a municipality located in the school district; or

53-26 (2) the general election for state and county  
 53-27 officers.

53-28 (b) Elections held on the same date as provided by  
 53-29 Subsection (a) shall be held as a joint election under Chapter 271,  
 53-30 Election Code.

53-31 (c) The voters of a joint election under this section shall  
 53-32 be served by common polling places consistent with Section  
 53-33 271.003(b), Election Code.

53-34 (d) The board of trustees of an independent school district  
 53-35 changing an election date to comply with this section shall adjust  
 53-36 the terms of office of its members to conform to the new election  
 53-37 date.

53-38 SECTION 11.02. Section 61.012, Election Code, is amended by  
 53-39 adding Subsection (c) to read as follows:

53-40 (c) The requirement imposed by Subsection (a) does not apply  
 53-41 to an election of trustees of an independent school district, other  
 53-42 than an election of an independent school district that is held  
 53-43 jointly with another election in which a federal office appears on  
 53-44 the ballot, held before January 1, 2008. This subsection expires  
 53-45 January 1, 2008.

#### 53-46 ARTICLE 12. PERMISSIVE TRANSFER OF CERTAIN STUDENTS

53-47 SECTION 12.01. Subchapter B, Chapter 25, Education Code, is  
 53-48 amended by adding Section 25.0343 to read as follows:

53-49 Sec. 25.0343. TRANSFER OF STUDENTS RESIDING IN HOUSEHOLD OF  
 53-50 STUDENT RECEIVING SPECIAL EDUCATION SERVICES. (a) If, for the  
 53-51 purpose of receiving special education services under Subchapter A,  
 53-52 Chapter 29, a school district assigns a student to a district campus  
 53-53 other than the campus the student would attend based on the  
 53-54 student's residence, the district shall permit the student's  
 53-55 parent, guardian, or other person standing in parental relation to  
 53-56 the student to obtain a transfer to the assigned campus for any  
 53-57 other student residing in the household of the student receiving  
 53-58 special education services, provided that:

53-59 (1) the other student is entitled under Section 25.001  
 53-60 to attend school in the district; and

53-61 (2) the appropriate grade level for the other student  
 53-62 is offered at the campus.

53-63 (b) A school district is not required to provide  
 53-64 transportation to a student who transfers to another campus under  
 53-65 this section. This subsection does not affect any transportation  
 53-66 services provided by the district in accordance with other law for  
 53-67 the student receiving special education services.

53-68 (c) Section 25.034 does not apply to a transfer under this  
 53-69 section.

54-1 (d) This section does not apply if the student receiving  
54-2 special education services resides in a residential facility.

54-3 ARTICLE 13. APPROPRIATION; PUBLIC EDUCATION FUNDING FOR CERTAIN  
54-4 PURPOSES

54-5 SECTION 13.01. (a) There is appropriated to the Texas  
54-6 Education Agency for distribution to the school districts of this  
54-7 state in accordance with Chapters 41 and 42, Education Code, as  
54-8 amended by this Act, an amount not to exceed \$3,825,000,000 in  
54-9 fiscal year 2007 from any funds in the State Treasury not otherwise  
54-10 appropriated.

54-11 (b) The Texas Education Agency:

54-12 (1) shall develop a plan to expend the appropriation  
54-13 made under Subsection (a) of this section in accordance with this  
54-14 Act that includes making adjustments to strategies, methods of  
54-15 finance, performance measures, and riders in Chapter 1369, Acts of  
54-16 the 79th Legislature, Regular Session, 2005 (the General  
54-17 Appropriations Act), as amended by Chapter 2, Acts of the 79th  
54-18 Legislature, 1st Called Session, 2005, as necessary to implement  
54-19 this Act; and

54-20 (2) in accordance with Section 69, Article XVI, Texas  
54-21 Constitution, may not expend the appropriation made under  
54-22 Subsection (a) of this section without the prior approval of the  
54-23 governor and the Legislative Budget Board.

54-24 SECTION 13.02. For the fiscal biennium ending August 31,  
54-25 2007, the commissioner of education, to the extent not specifically  
54-26 prohibited by state or federal law, shall use federal funds,  
54-27 including consolidated administrative or innovative program funds,  
54-28 for the purposes described by Sections 1.005, 7.008, 39.034,  
54-29 44.0061, and 44.007(e), Education Code, as added by this Act. To  
54-30 the extent federal funds are not sufficient, state funds  
54-31 appropriated for those purposes may be used to fund the remaining  
54-32 balance. If the amount of the state funds appropriated exceeds the  
54-33 amount needed for purposes of this section, the excess shall be  
54-34 returned to the general revenue fund.

54-35 SECTION 13.03. Subsection (a) of Rider 97 following the  
54-36 appropriations to the Texas Education Agency in Chapter 1369, Acts  
54-37 of the 79th Legislature, Regular Session, 2005 (the General  
54-38 Appropriations Act), as amended by Chapter 2, Acts of the 79th  
54-39 Legislature, 1st Called Session, 2005, is repealed.

54-40 SECTION 13.04. It is the intent of the legislature that the  
54-41 State Board of Education rescind Proclamation 2005 and forego the  
54-42 issuance of all proclamations of textbook purchases, including  
54-43 Proclamation 2006, until such time as the legislature has  
54-44 implemented reforms to the system by which the state and school  
54-45 districts procure and purchase textbooks.

54-46 ARTICLE 14. APPLICABILITY; EFFECTIVE DATE

54-47 SECTION 14.01. Except as otherwise provided by this Act,  
54-48 this Act applies beginning with the 2006-2007 school year.

54-49 SECTION 14.02. Except as otherwise provided by this Act,  
54-50 this Act takes effect immediately if it receives a vote of  
54-51 two-thirds of all the members elected to each house, as provided by  
54-52 Section 39, Article III, Texas Constitution. If this Act does not  
54-53 receive the vote necessary for immediate effect, this Act takes  
54-54 effect on the 91st day after the last day of the legislative  
54-55 session, except as otherwise provided by this Act.

54-56 \* \* \* \* \*